



# Town of Fountain Hills, Arizona

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015





**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Issued By:**  
**Administration Department**  
**Finance Division**

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## **INTRODUCTORY SECTION**

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# Town of FOUNTAIN HILLS

September 30, 2015

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Fountain Hills:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Fountain Hills for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the Town of Fountain Hills. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Fountain Hills has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Fountain Hills' financial statements in accordance with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Town of Fountain Hills' comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Fountain Hills' financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Fountain Hills for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Fountain Hills' financial statements for the fiscal year ended June 30, 2015, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Fountain Hills' MD&A can be found immediately following the report of the independent auditors.

## **Town of Fountain Hills Profile**



The Town of Fountain Hills is a master planned community established in 1970 by McCulloch Properties (now MCO Properties, Inc.). Prior to 1970, the area was a cattle ranch and was part of one of the largest land and cattle holdings in Arizona. The land was purchased by Robert McCulloch in the late 1960s and the community designed by Charles Wood, Jr. (designer of Disneyland in southern California). The centerpiece of Fountain Hills is one of the world's tallest man-made fountains, a focal point that attracts thousands of visitors each year.

Located on 13,006 acres of land, and bordering northeast Scottsdale, Fountain

Hills is surrounded by the 3,500-foot McDowell Mountains and Scottsdale on the west, the Fort McDowell Yavapai Nation on the east, the Salt River Pima-Maricopa Indian Community on the south and by the McDowell Mountain Regional Park on the north. The elevation is 1,575 feet at the fountain, 2,130 feet on Golden Eagle Boulevard, and is approximately 500 feet above Phoenix.

Over the past twenty plus years, Fountain Hills has grown from 10,190 residents to a town of 22,489 based on the 2010 census. On June 5, 2006, the Town of Fountain Hills became twenty square miles and about 10% larger by annexing 1,300 acres of State Trust Land. The process to annex the State Trust Land occurred over a two and one-half year period and development of the land will occur over the next decade. Annexing this property into the Town ensures that its future development will be of the highest quality under such Town standards as the cut-and-fill ordinance and strict zoning regulations. Fountain Hills will have an opportunity to demonstrate that it is truly the best place to live in the Valley.

The Town offers a wide range of living accommodations, from small condominiums to large custom homes. Fountain Hills also offers recreational, cultural and retirement programs that address the needs and lifestyles of active families as well as older adults. The community consists of primarily residential property; of the total 20.32 square miles of land only 2.6% of the total is zoned commercial and/or industrial, 22.9% is preserved as open space and 51.3% is residential.

### **The Town's Mission Statement**

The Town of Fountain Hills' purpose is to serve the best interests of the community by:

- providing for its safety and well-being;
- respecting its special, small-town character and quality of life;
- providing superior public services;
- sustaining the public trust through open and responsive government;
- and maintaining the stewardship and preservation of its financial and natural resources.

*To serve, respect, and provide trust and stewardship.*



Fountain Hills Town Hall

The Town of Fountain Hills is an Arizona Municipal Corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town was incorporated on December 5, 1989, with the governmental and administrative affairs of the Town operating under the Council-Manager form of government. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, development of citizen advisory committees and hiring the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council and administering the Town's operations through three department directors and approximately 52 FTE employees. The Presiding Judge, Town Attorney and Town Prosecutor are under the direction of the Town Council.



The Town provides or administers a full range of services including public safety (law enforcement, fire, animal control); development services (code enforcement, planning, building inspection, zoning and public works); construction and maintenance of streets and infrastructure, municipal court, recreational activities, community center, senior services and cultural events. The Town does not maintain utility or other operations that require the establishment of enterprise funds.

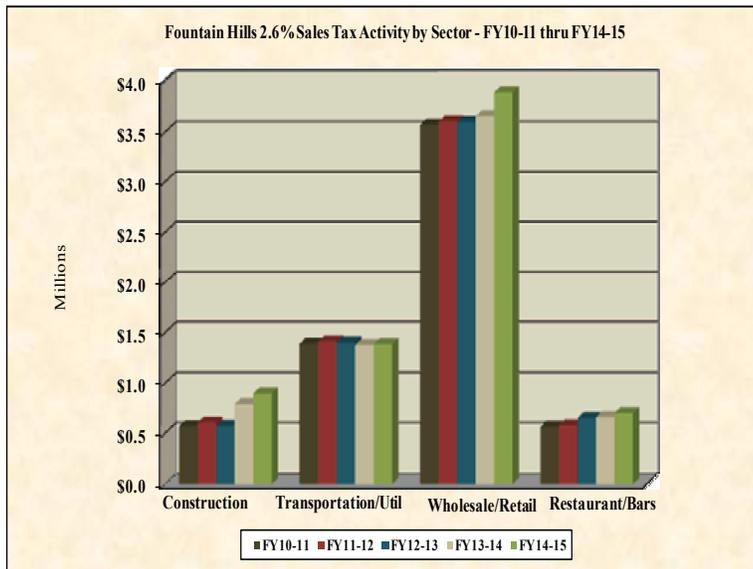
The financial reporting entity (the Town) includes all the funds of the primary government (i.e., the Town of Fountain Hills as legally defined) as well as all of its component units. The component units consist of legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Cottonwoods Maintenance District, the Eagle Mountain Community Facilities District and the Fountain Hills Municipal Property Corporation are included in the financial report of the Town.

The annual budget serves as the foundation for the Town of Fountain Hills' financial planning and control. The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund. Therefore, these funds have appropriated budgets, and budget to actual information is presented. On or before the second meeting in April, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The Town Council is then required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the Town of Fountain Hills' fiscal year. The budget is legally enacted through passage of a resolution and is prepared by fund and department. The resolution sets the limit for expenditures during the fiscal year. The Town Manager may authorize transfers from and within personnel and from operating capital to services or supplies within a department. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20.

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Fountain Hills operates.

Local Economy. The Great Recession appears to be recovering modestly in Fountain Hills; this recovery is indicated by the local sales tax receipts in the construction category. The construction activity has increased 13% over the prior year which we interpret as a leading indicator of a rebounding economy. The Town of Fountain Hills' local tax revenue base consists of two major tax categories, the most significant being wholesale/retail sales and transportation/communication/utilities (construction had been a third significant category in prior years). The chart below is a look at the past five years' significant local sales tax activity by sector:



As can be seen in the chart on the left, sales tax collections continue to show signs of moderate growth. Retail sales experienced a 6.5% increase over the prior year; restaurant/bar revenues have exceeded any prior year and an increase of 6.0% from FY13-14. Construction sales tax, a one-time revenue source, is driven entirely by development activity in the community and increased 13.4% over the prior year; recent building permit activity indicates that construction sales tax is likely to increase over the next years. Transportation /communication/utilities tax revenues posted a slight increase of .6%.

Construction activity provides revenue to the Town through local sales tax, the proceeds of which are utilized for general operations and capital expenditures. Without the resources to fund capital projects, the Town must find additional funds to pay for necessary infrastructure projects. For operating costs, the Town is dependent upon state shared revenues and local sales tax as a major source of operating revenue, accounting for 87% of total General Fund revenue for fiscal year 2014-15.

State shared revenues are derived as a proportionate share of state sales, income and vehicle license taxes are distributed based on the Town's population compared to all other incorporated cities and towns in Arizona (currently 0.45%). State shared income tax revenue category is based on two years prior personal and corporate earnings; from FY08-09 through FY11-12 the Town lost 52% of this revenue source (\$1.8M or 14% of the General Fund operating budget). However, the revenue from the State income tax increased by 7.9% in FY14-15 and is anticipated to decrease 0.5% for FY15-16. After a 10% decrease in State sales tax from FY08-09 through FY11-12, this revenue has recovered with a 6.2% increase in FY14-15 and is anticipated to increase another 4.9% in FY15-16.

Other local activity has remained fairly level during the recessionary period due to the lack of major retailers (the Town has three grocery stores and one major retailer). Fountain Hills is past the historic period of rapid growth and the long-term economic outlook for the Town must recognize this fact. The opportunity to further expand the retail tax base in Fountain Hills is limited by the lack of available commercial land – over 70% of the currently available commercial lots are already developed.

Development Activity over the past year:

Development Services has been involved with the following development activities during fiscal year 2014-15 (7/1/2014 – 6/30/2015):

Four Concept Plans were approved by the Planning & Zoning Commission during the period:  
Master Plat at Firerock  
New VFW building  
The Hemmingway  
The Morningstar Project

Fourteen Special Use Permits were granted.

No Temporary Use Permits were issued during the period.

Thirty-four new Single-Family Residential Building Permits were issued.

There was one new Commercial Building Permits issued.

There were fifteen commercial tenant improvement permits issued during the last fiscal year.

Fiscal year	SFR	MFR	T.I. & Comm	Pools, Fences & Other	Add Ons (Not Garages)	Garages & Carports	MONTH TOTAL
JULY	3	0	0	25	4	0	32
AUGUST	1	1	1	18	5	1	27
SEPTEMBER	2	0	3	25	3	1	34
OCTOBER	1	3	2	21	5	0	32
NOVEMBER	1	2	0	25	3	0	31
DECEMBER	3	0	2	32	8	2	47
JANUARY	2	2	0	24	6	0	34
FEBRUARY	5	2	2	30	9	1	49
MARCH	2	0	1	34	3	1	41
APRIL	2	0	1	35	3	1	42
MAY	7	0	2	18	8	0	35
JUNE	3	0	2	27	3	1	36
YEARLY TOTAL	32	10	16	314	60	8	440

### **Long-term Financial Planning**

Fountain Hills' financial policies are balanced on sound financial reserves and conservative revenue growth forecasts for the foreseeable future. Potential for State legislative impacts to revenue-sharing or local revenues and additional demands for essential Town services remain. The Town's financial policies set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated.

In early 2009, the Strategic Planning Advisory Commission began the process of gathering public input to update the Strategic Plan's vision, confirm residents' values, and create a fresh structure for the Strategic Plan revision. Subsequently, *Strategic Plan 2010* was built upon the foundation of a clearly defined vision statement and eight key values, with specific indicators to evaluate Council and staff priorities. Based on citizen input, the Strategic Plan is designed to guide our future decisions grounded on these common values:

1. Civility
2. Civic Responsibility
3. Environmental Stewardship
4. Economic Vitality
5. Education, Learning and Culture
6. Maintain and Improve Community Infrastructure
7. Public Safety, Health and Welfare
8. Recreational Opportunities and Amenities

These values guide the Town's annual budget process. The Strategic Planning Advisory Commission is currently in the process of preparing an update to the Plan.

The Fountain Hills Town Council maintains a fund balance policy that ensures adequate reserves that will provide financial stability in the event of an unanticipated economic downturn. The policy was amended in FY08-09 to include the establishment of a Rainy Day Fund beginning in FY09-10. In FY11-12, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 54 which changed how governments report fund balance. The overall principal and goal of GASB No. 54 was to report governmental fund balances based on a hierarchy that shows, from the highest to the lowest, the level or form of constraints on fund balance, and accordingly, the extent to which governments are bound to honor them: nonspendable, restricted, committed, assigned, and unassigned.

The fund balance amounts will not be programmed for expenditure and are only available for use within the confines of expenditure limitations imposed by the State. A Capital Projects Fund has been created and is funded with a portion of the construction sales tax, proceeds from excess revenues collected over budget, and any unexpended appropriations not needed to meet fund balance requirements or re-appropriation.

The Council also adopted financial policies that include guidelines for the issuance of debt for capital expenditures, community facility districts, financing alternatives, expenditure controls and financial planning. The policy was amended during FY 09-10 to reduce the allocation of the local construction sales tax to the Capital Projects Fund from 85% to 50%, reflecting the transition from one-time building activity to ongoing redevelopment activity. The debt policy was prepared with a preference for "pay-as-you-go" financing for capital spending, however, the policy did not anticipate the lack of funding for capital projects and bond funding is being reconsidered.

## **Major Initiatives**

The Town of Fountain Hills' adopted FY14-15 budget reflected the continued recession in the local economy, which is also somewhat mirrored at the national and state levels. Due to the challenging current economic conditions, the Town has made significant reductions in staff and service levels. This reduction was accomplished by a thorough assessment of all existing and proposed programs and workload; as a result, Town staffing was reduced from 81 to 52 FTE's (full time equivalents) over the past years.

The Town Council established priorities for FY14-15 of which the top two are Economic Development and Pavement Management. In order to implement the Pavement Management program, the Council approved the use of Vehicle License Tax revenues to be dedicated to annual pavement maintenance with an effective date of July 1, 2013. Economic Development initiatives are funded through a dedicated local sales tax which provides funding for business attraction, retention and expansion.

During FY14-15, the Town embarked on two major street reconstruction projects. First was the Shea Boulevard widening project, a Maricopa Association of Governments (MAG) Proposition 400 project which provided 70% of the project funding with a 30% match from the Town. Shea Boulevard is a road of regional significance and has an average traffic volume of 25,000 vehicles per day at Saguaro Boulevard. And the second project was the Saguaro Boulevard Reconstruction. Saguaro Boulevard was one of the first streets constructed in Fountain Hills and is a major truck route. This reconstruction is the first major work performed on the street. Bonds totaling \$7,565,000 were issued by the Town to fund this project.

## **AWARDS AND ACKNOWLEDGEMENT**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fountain Hills for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the nineteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

For the third year, The Town was also given the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2014.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2014. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the thirteenth consecutive year that the Town has received the award.

An investment policy was adopted and was awarded the Investment Policy Certification from the Association of Public Treasurers of United States and Canada.

**Acknowledgements.** The preparation of this report would not have been possible without the efficient and dedicated services of the entire team of the Finance Division and Administration Department. I would also like to extend my appreciation to the Mayor and Council for their leadership and support. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Grady Miller  
Town Manager

**TOWN OF FOUNTAIN HILLS, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2015**

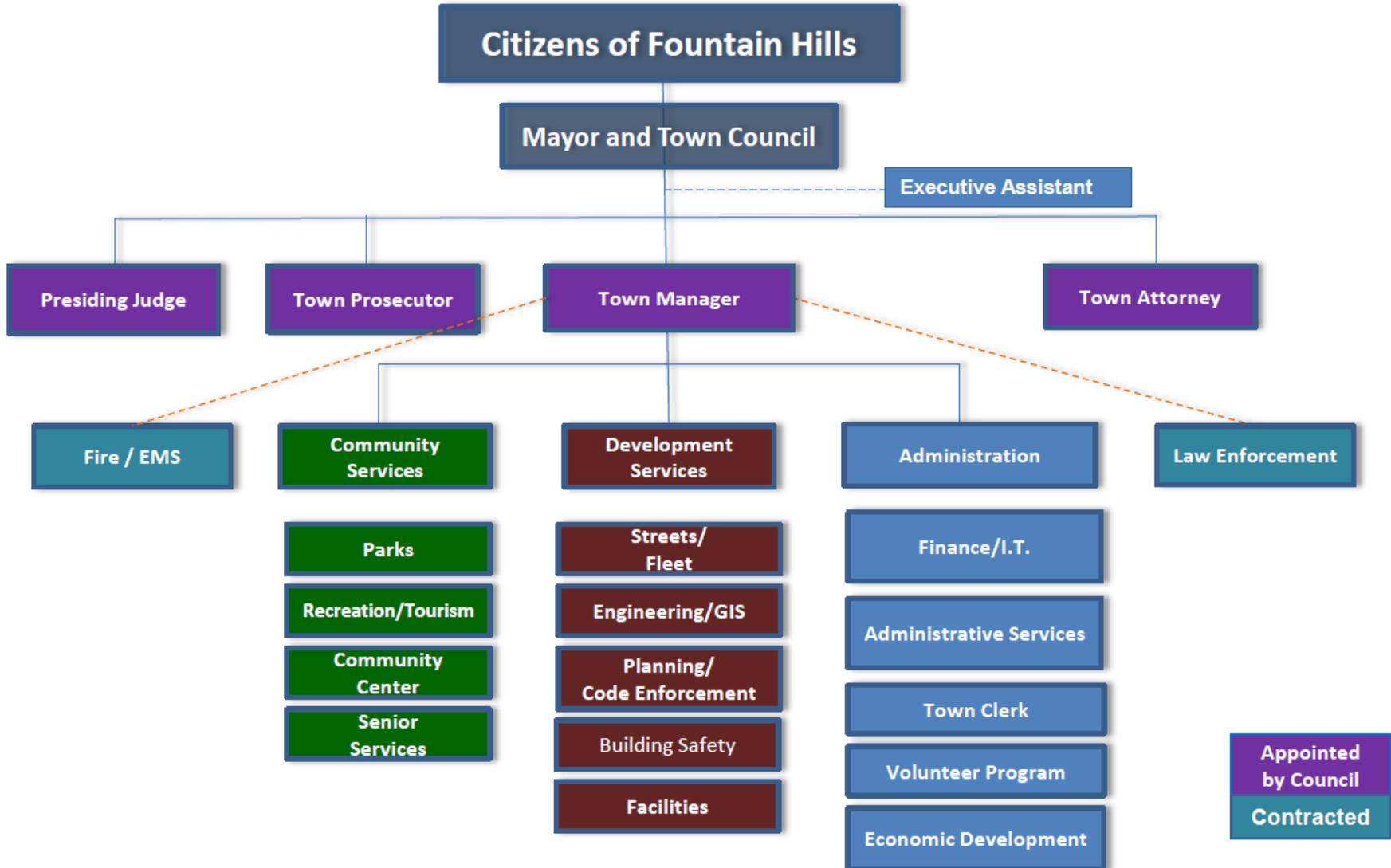
**ELECTED OFFICIALS**

Mayor	Ms. Linda M. Kavanagh
Vice-Mayor	Mr. Dennis Brown
Councilmember	Mr. Nick DePorter
Councilmember	Ms. Cassie Hansen
Councilmember	Mr. Henry Leger
Councilmember	Mr. Alan Magazine
Councilmember	Mr. Cecil A. Yates

**DEPARTMENT DIRECTORS**

Town Manager	Grady Miller
Finance Director	Craig Rudolphy
Presiding Judge	Robert Melton
Community Services Director	Mark Mayer
Development Services Director	Paul Mood
Fire Chief	Captain Randy Roberts Rural Metro Corporation
District Commander	Captain David Letourneau Maricopa County Sheriff's Office
Town Prosecutor	Mark Iacovino The Law Office of Mark Iacovino
Town Attorney	Andrew McGuire Gust Rosenfeld, P.L.C.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
ORGANIZATIONAL CHART  
JUNE 30, 2015**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Fountain Hills  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Town Council  
Town of Fountain Hills  
Fountain Hills, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fountain Hills, Arizona (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and Members of the Town Council  
Town of Fountain Hills, Arizona

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fountain Hills, Arizona as of June 30, 2015, and the respective changes in financial position and the budgetary comparison schedules of the General Fund and HURF Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 14 - 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
September 30, 2015

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

As management of the Town of Fountain Hills, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. This discussion and analysis is intended to be an easily readable breakdown of the Town of Fountain Hills' financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the Town exceeded its liabilities at the close of fiscal year 2014-15 and fiscal year 2013-14 by \$116.8 million and \$114.4 million, respectively. Of these amounts, \$15.2 million and \$19.2 million, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Governmental activities program revenues increased overall by \$3.1 million (109.4%) over the previous year. The majority of the increase was attributable to an increase in capital grants and contributions received for construction on Shea Boulevard.
- ◆ At June 30, 2015, total fund balance of the governmental funds was \$27.1 million. The increase of \$4.4 million from the prior year was mainly the result of current year bond refundings and the issuance of General Obligation bonds in the current year. Of the total fund balance, \$4.4 million is unassigned in the General Fund, while the remainder is classified as nonspendable, restricted, committed, and assigned.
- ◆ The major governmental funds, which include the General Fund, total \$21.0 million in revenues, consisting primarily of local taxes, intergovernmental revenues, and licenses and permits. The total expenditures of the General Fund were \$12.6 million and the fund balance increased from \$8.0 million to \$8.9 million including the Rainy Day, Public Art, Facilities Replacement and Vehicle Replacement Funds. The Highway User Revenue Fund (HURF) revenues were \$2.3 million with expenditures of \$1.3 million. The nonmajor governmental funds revenues were \$1.1 million with the majority from local sales taxes (Downtown Strategy and Economic Development Funds) and property taxes (Eagle Mountain Community Facilities District). Expenditures for the nonmajor funds were \$0.8 million primarily for debt service for Eagle Mountain Community Facilities District and economic development.
- ◆ The Town's total net position of governmental activities increased \$2.4 million from the prior fiscal year. Revenues increased 19.0% mainly due to capital grants received during the current year and higher sales tax and fee revenue; expenses decreased 3.1%, largely due to a decline in streets maintenance, but a significant increase in capital assets.
- ◆ General revenues accounted for \$16.3 million in revenue, or 73.1% of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.0 million or 26.9% of total current fiscal year revenues.
- ◆ The Town had approximately \$19.9 million in expenses related to governmental activities, a decrease of 3.1% over the prior fiscal year.
- ◆ Per local policy, residual unassigned General Fund revenues may be transferred to the Rainy Day fund, to supplement pay-as-you-go capital outlay expenditures or prepay existing town debt. The Council authorized the use of general fund surplus revenues in FY11-12 to transfer funds to the Municipal Property Corporation Debt Service Fund to provide funds that were placed in an irrevocable trust to provide for future principal and interest payments on bonds that were issued in 2005 for the Town Hall. The general fund balance will include the surplus.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. The accrual basis of accounting is used for the government-wide financial statements.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements outline functions of the Town that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation, development services, and interest on long-term debt.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are included in the governmental funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Highway Users Revenue Fund (HURF), Capital Projects Fund, General Obligation Debt Service Fund, and Municipal Property Corporation Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

**Other Information**

Governments have the option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information following the notes to the basic financial statements. The Town has chosen to present these budgetary statements as part of the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

While this document contains information about the funds used by the Town to provide services to our citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the Town, as a whole, did financially throughout the year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's assets and the changes in those assets. The change in assets is important because it tells the reader whether the financial position of the Town as a whole has improved or diminished. However, in evaluating the overall position of the Town, nonsets will also need to be evaluated.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**Analysis of Net Position**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$116.8 million at the current fiscal year end. The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	2015	2014	Percent Change
<b>ASSETS</b>			
Current and Other Assets	\$ 30,103,343	\$ 26,489,337	13.6 %
Capital Assets:			
Non-depreciable	29,930,540	27,334,347	9.5 %
Depreciable (net)	<u>75,321,571</u>	<u>73,728,913</u>	2.2 %
Total Assets	<u>135,355,454</u>	<u>127,552,597</u>	6.1 %
<b>LIABILITIES</b>			
Other Liabilities	2,897,349	3,717,336	(22.1)%
Long-Term Liabilities:			
Due Within One Year	4,545,644	2,164,879	110.0 %
Due in More Than One Year	<u>11,095,245</u>	<u>7,289,432</u>	52.2 %
Total Liabilities	<u>18,538,238</u>	<u>13,171,647</u>	40.7 %
<b>NET POSITION</b>			
Net Investment in Capital Assets	95,325,824	89,713,260	6.3 %
Restricted	6,310,810	5,480,867	15.1 %
Unrestricted	<u>15,180,582</u>	<u>19,186,823</u>	(20.9)%
Total Net Position	<u>\$ 116,817,216</u>	<u>\$ 114,380,950</u>	2.1 %

The largest portion of the Town's net position (82%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements, vehicles, machinery and equipment, and artwork) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the Town's net position (5%) is for the specified purposes of debt service repayment, capital outlay investment, and highways and streets.

At the end of the current fiscal year, the Town reported positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**Analysis of Changes in Net Position**

The Town's total net position increased by \$2.4 million during the fiscal year. The increase was primarily a result of the increase in capital assets funded by capital grants as well as an increase in sales tax and a reduction in street improvements that were incurred in the prior year.

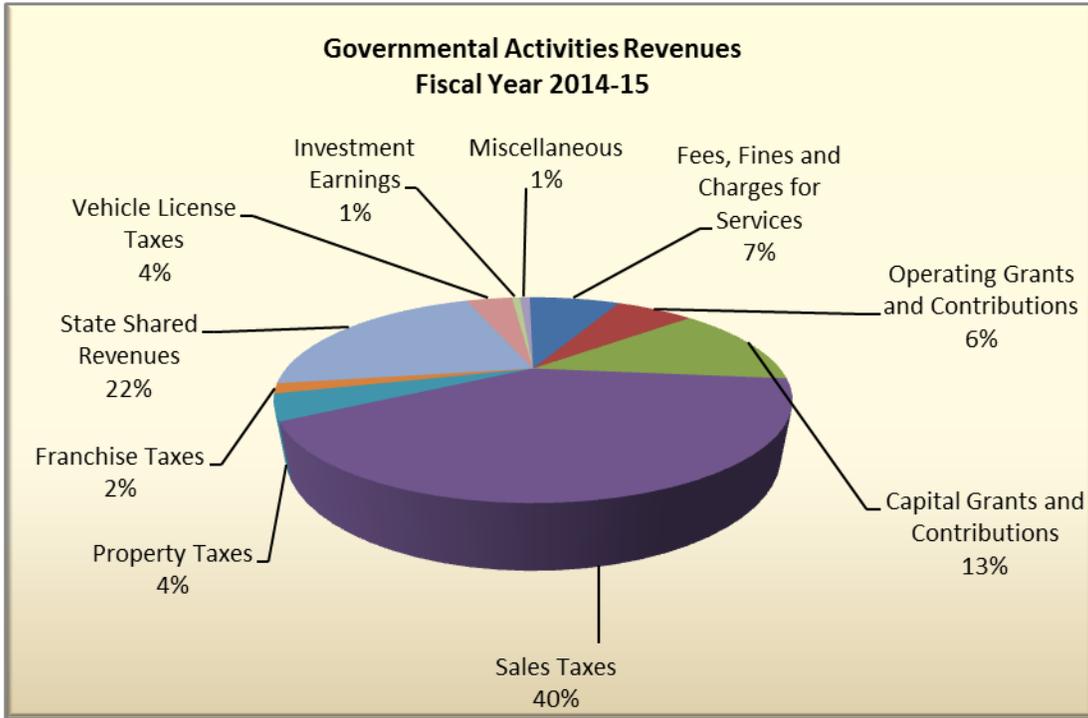
Total governmental revenues increased over the prior year with a net increase of \$3.6 million (19%); primarily due to an increase in capital grants relating to the Shea Boulevard project. The Town also saw an increase in local sales taxes of \$0.5 million (6%) as well as revenues shared with cities/towns by the State (income tax, state sales tax and vehicle license taxes – increase of 7%) reflecting improvements in the economy.

The Town's total revenues for the current fiscal year were \$22.3 million. The total cost of all programs and services was \$19.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

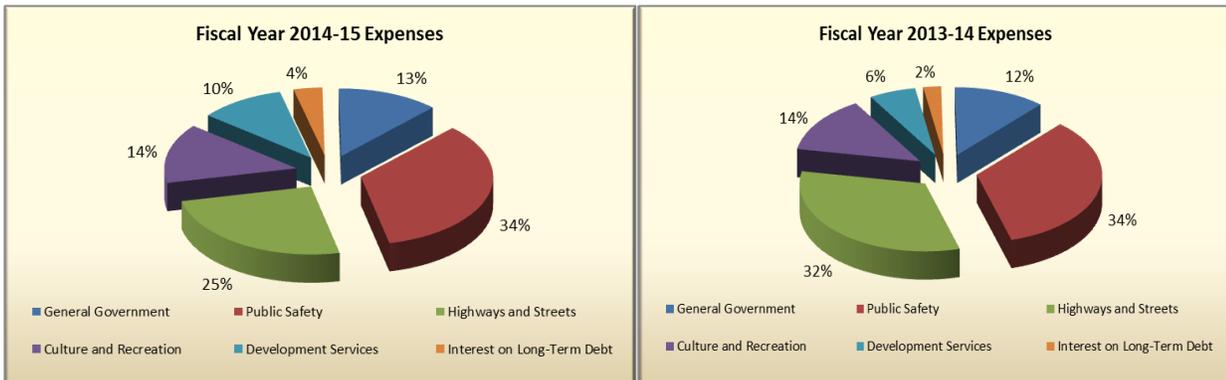
	<u>2015</u>	<u>2014</u>	<u>Percent Change</u>
<b>REVENUES</b>			
Program Revenues:			
Fees, Fines and Charges for Services	\$ 1,693,830	\$ 1,412,797	19.9 %
Operating Grants and Contributions	1,431,017	1,307,738	9.4 %
Capital Grants and Contributions	2,874,796	144,570	1888.5 %
General Revenues:			
Sales Taxes	8,983,049	8,459,267	6.2 %
Property Taxes	904,660	1,449,646	(37.6)%
Franchise Taxes	352,673	349,414	0.9 %
State Shared Revenues	4,854,361	4,525,857	7.3 %
Vehicle License Taxes	858,874	800,475	7.3 %
Investment Earnings	150,358	123,311	21.9 %
Miscellaneous	188,251	166,115	13.3 %
Total Revenues	<u>22,291,869</u>	<u>18,739,190</u>	19.0 %
<b>EXPENSES</b>			
General Government	2,479,365	2,432,965	1.9 %
Public Safety	6,816,152	6,958,056	(2.0)%
Highways and Streets	4,963,979	6,630,875	(25.1)%
Culture and Recreation	2,822,954	2,760,690	2.3 %
Development Services	2,074,611	1,237,717	67.6 %
Interest on Long-Term Debt	698,542	472,999	47.7 %
Total Expenses	<u>19,855,603</u>	<u>20,493,302</u>	(3.1)%
<b>CHANGE IN NET POSITION</b>	2,436,266	(1,754,112)	(238.9)%
Net Position - Beginning of Year	<u>114,380,950</u>	<u>116,135,062</u>	(1.5)%
<b>NET POSITION - END OF YEAR</b>	<u>\$ 116,817,216</u>	<u>\$ 114,380,950</u>	2.1 %

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

General revenues such as property, business, and privilege taxes are not shown by program, but are effectively used to support program activities town-wide. For governmental activities overall, without regard to program, business taxes which includes sales and use taxes and franchise taxes, are the largest single source of funds (42%), followed by state shared revenues (22%), capital grants and contributions (13%), fees, fines and charges for services (7%), operating grants and contributions (6%), property taxes (4%), and vehicle license taxes (4%).



The charts below compare the governmental expenses from fiscal years 2014-15 and 2013-14.



**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

The following items are significant current year transactions that had an impact on the Statement of Net Position and Statement of Activities:

- Depreciable assets increased 2.2% (\$1,592,658) with the Town's depreciation of capital assets.
- Overall revenues increased by 19% compared to the prior year, largely due to an increase in capital grants and contributions. Additionally, state shared revenues increased 7.3% which reflected the improving economy. The Town does not have a primary property tax that is used for operations; the Town property tax levy is dependent upon the annual debt payment for voter approved bonds.
- Fees, Fines and Charges for Services revenue increased 19.9% compared to the prior year due in large part to an increase in permit revenue.
- Sales tax revenues in Fountain Hills are derived primarily from retail and transportation/communications/utilities activity. An increase in these revenues reflects an improving economy.
- State shared revenues are determined by the prior two years of income tax returns in Arizona and is shared with cities and towns based on population; last fiscal year revenues, both State income tax and State sales tax, were higher than anticipated with an increase of \$328,504.
- Investment income increased in the current year 21.9% over the prior year. This increase was due to realized gains on the Town's investment portfolio.
- Overall expenses decreased 3.1% due to primarily to a decline in street maintenance.
- General Government expenses were slightly more than prior year due to increases in attorney fees and contracted services.
- Public Safety costs include contracts for police and fire; those contracts are multi-year with automatic increases.
- Decrease in Highways and Streets expenses was due to the postponement of the pavement management program for a year to accumulate funds.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major Governmental Funds reported by the Town include the General Fund, Highway Users Revenue Fund, Capital Projects Fund, General Obligation Debt Service Fund, and the Municipal Property Corporation Debt Service Fund.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$27.1 million, an increase of \$4.4 million.

Fund	Balance	Increase (Decrease) From FY 2013-14
General Fund	\$ 8,894,502	\$ 896,550
HURF Fund	1,692,305	990,914
Capital Projects Fund	10,859,923	3,712,337
General Obligation Debt Service Fund	354,062	277,228
Municipal Property Corporation Debt Service Fund	1,760,662	(212,405)
Nonmajor Governmental Funds	3,569,394	(1,248,329)
	<u>\$ 27,130,848</u>	<u>\$ 4,416,295</u>

The General Fund is the chief operating fund of the Town of Fountain Hills, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$8.9 million, while total fund balance of all funds reached \$27.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund balance and total fund balance to total fund expenditures. General Fund balance represents 71% of total General Fund expenditures, while total fund balance represents 106% of total expenditures. The fund balance of the Town of Fountain Hills' General Fund, which includes the Public Art, Facilities Replacement and Vehicle Replacement Funds, balance increased by \$0.9 million. Any residual balance will be transferred to the Capital Projects Fund per the Town Council policy. Sales tax within the General Fund increased \$0.4 million and licenses and permits increased \$0.2 million which were the primary factors for the increase in General Fund fund balance.

The General Fund comprises 33% of the total fund balance. Approximately \$4.4 million or 49% of the General Fund's fund balance constitutes unassigned fund balance. The remaining fund balance is committed, assigned and nonspendable for inventory and prepaid items.

The fund balance of the HURF Fund increased \$1.0 million. The increase was due primarily to a decline in expenditures as the pavement management program was deferred.

The fund balance of the Capital Project's Fund increased \$3.7 million during the current fiscal year. The increase was primarily due to the issuance of General Obligation bonds in the current year to pay for Saguaro Boulevard reconstruction costs. This project was ongoing at fiscal year-end.

The fund balance of the General Obligation Debt Service Fund increased \$0.3 million during the current fiscal year. The increase was largely due to lower debt service payments.

The fund balance of the Municipal Property Corporation (MPC) Debt Service Fund decreased \$0.2 million during the current fiscal year. Revenues for the MPC are derived from local sales tax collections which were consistent with the prior year. The annual debt payment committed for the MPC is fixed but there were insufficient current revenues to pay annual debt service. Reserves from this fund contributed to the early retirement of Town Hall bonds in a prior year.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. The nonmajor governmental funds reported a \$1.2 million decrease in fund balance mainly due to the transfer out of funds to pay for ongoing capital projects.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**BUDGETARY HIGHLIGHTS**

A statement showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund and HURF Fund are provided in this report as part of the basic financial statements. The significant variances are summarized as follows:

The favorable revenues variance of \$271,374 in sales taxes is due to higher than expected tax revenue, mostly attributable to the improved economy.

The favorable total expenditures variance of \$420,942 includes all departments. No one department experienced any appreciable variances other than expenditures being less than anticipated.

The change of \$29,384 (0.2%) between the original and final expenditures budget was not significant during the fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2015, the Town had invested \$105.3 million in capital assets, including buildings, vehicles, computers, equipment, infrastructure and artwork net of accumulated depreciation. This amount represents a net increase from the prior fiscal year of \$4.2 million. Total depreciation expense for the current fiscal year was \$4.9 million. The increase in capital assets was primarily the result of several street projects that have either been completed or still in progress. Those major capital asset events are listed on the following page.

Major capital asset events during the current fiscal year included the following:

- Avenue of the Fountains median improvements
- Shea Boulevard Widening Project
- Saguaro Boulevard Reconstruction
- Fountain Park Improvements

The schedule below presents a summary of capital asset balances for the fiscal years ended June 30, 2015 and June 30, 2014.

**Town of Fountain Hills, Arizona  
Capital Assets (Net of Accumulated Depreciation)**

	2015	2014	Percent Change
Land	\$ 23,571,668	\$ 23,571,668	0.0%
Artwork	2,216,500	1,967,500	12.7%
Construction in Progress	4,142,372	1,795,179	130.7%
Infrastructure	54,542,911	51,965,669	5.0%
Buildings and Building Improvements	14,201,774	14,615,581	-2.8%
Improvements Other than Buildings	5,311,582	5,913,128	-10.2%
Vehicles, Machinery and Equipment	1,265,304	1,234,535	2.5%
Total Capital Assets	<u>\$ 105,252,111</u>	<u>\$ 101,063,260</u>	4.1%

Additional information on the Town's capital assets can be found in Note 3.A.3.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**Long-Term Debt**

At year-end, the Town had \$15.3 million in bonds outstanding, \$4.3 million due within one year; this amount represents a net increase of \$6.2 million. The increase in the current year was due to the issuance of General Obligation bonds for \$7.6 million in the current year. Additionally, the Town refunded the Eagle Mountain Community Facilities District, General Obligation Bonds, Series 2005 and the Municipal Facilities Revenue Refunding Bonds, Series 2005. The chart below is a summary of the Town's outstanding debt as of year-end:

**Town of Fountain Hills, Arizona  
Outstanding Long-term Bonds**

	2015	2014
General Obligation Bonds	\$ 11,475,000	\$ 4,495,000
Revenue Bonds	3,525,000	4,695,000
Premium on Bonds	342,086	-
Total Outstanding Debt	\$ 15,342,086	\$ 9,190,000

The Town's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 20% of the total secondary assessed valuation) and the statutory debt limit on general purpose municipal bonds (up to 6% of the total secondary assessed valuation). The current total debt limitation for the Town is \$95.6 million, which is more than the Town's outstanding general obligation debt. Additional information on the Town's long-term debt can be found in Note 3.C.

**ECONOMIC FACTORS**

The Town continues to maintain strong reserves for unforeseen circumstances, whether of a financial nature or a natural (or other) disaster. The Town's reserves, in combination with our consistent adherence to adopted financial policies and management practices, proved big factors in the Aa3 credit rating awarded to Fountain Hills by a major credit rating agency.

The housing market has shown signs of recovery (both nationally and regionally), indicating that the overall economy may continue to experience moderate growth in the year ahead. The Town's local housing economy provides building permit and construction sales tax revenue, which have declined over the past fiscal years. With a limited inventory of available lots, the Town will have to adjust to the new economy, one that is less dependent upon building activity as a source of reliable revenue. There is an area of almost 1,300 acres that was annexed in 2006 that is planned to be developed but the first building permit is not scheduled to be issued until beyond 2020.

The Town's local sales tax collections, which represent the largest town revenue source, is made up of primarily retail, telecommunications and restaurant bar activity. Construction related sales tax are projected to continue increasing for the foreseeable future; retail collections, however, are projected to remain steady due to the fact that the existing retail base is not significantly affected by a recession (major retail activity consists of three grocery stores and one shopping center with a major retailer).

The Town is heavily dependent upon State shared revenues for General Fund operations (34%); State-shared income tax revenues are anticipated to decrease slightly during fiscal year 2015-16 with increased individual and business revenues and state collections. The Town is aggressively pursuing economic vitality and redevelopment opportunities, specifically a proposed development in the downtown center.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

As of June 30, 2015, the Town had set aside \$10.9 million in the capital improvement fund. The Town had been successful in obtaining a contract with ADOT to fund a major road improvement along Shea Boulevard that was completed in fiscal year 2011-2012. The Town completed a second construction project for another major road improvement on Shea Boulevard with further funding from ADOT in fiscal year 2012-2013. The widening of Shea Boulevard, funded primarily by a grant, began in fiscal year 2014-2015 as well as the reconstruction of Saguaro Boulevard, which was bond financed.

**NEXT YEAR'S BUDGETS AND RATES**

The protracted economic recession has forced the Town to evaluate core services and, in some cases, to reduce existing service levels. Prudent long-term fiscal planning dictates that we remain conservative, focus on the highest Council and citizen priorities, and fund only those enhancements we can sustain financially.

The fiscal year 2015-2016 General Fund operating budget is \$14.0 million representing a 2% increase from fiscal year 2014-15 budget. The operating budget is comprised of the costs to continue operations from year to year without any capital expenditures. It encompasses all the basic services provided to Fountain Hills' residents: police and fire protection; parks, recreation, streets maintenance; planning and zoning; building inspection; economic development and administrative services. The capital budget is set at \$ 14.3 million, a 36% decrease from fiscal year 2014-15 because most of the projects were completed in fiscal year 2013-14. There are some projects in the five-year plan that are considered affordable within current revenue sources, others will require other sources of revenue for funding such as bonds, grants, etc. Capital budgets tend to rise and fall each year depending on the timing of projects – especially if a town, such as Fountain Hills, strives to achieve a “pay-as-you-go” program.

The capital improvement program (CIP) is the Town's financial plan for supporting large capital projects. The five-year CIP addresses the growing needs of the community and enhances the quality of life through major public investment, and is an essential ingredient in the Town's service delivery plan. The CIP is closely aligned with the general plan, and integrates a number of specialized facility and infrastructure master plans. Looking ahead, the five-year CIP totals \$18.8 million; with the capital budget for fiscal year 2015-16 totaling \$ 14.3 million (which includes carryover funds for some large projects currently underway). In fiscal year 2015-16, the CIP places major emphasis on major road improvements and maintenance. Due to the economy, there are no recreational or nonessential projects proposed.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Division, Town of Fountain Hills, 16705 East Avenue of the Fountains, Fountain Hills, Arizona 85268 or visit our website at: [www.fh.az.gov](http://www.fh.az.gov)

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## **BASIC FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 21,356,349
Cash with Paying Agent	430,000
Receivables, Net:	
Accounts Receivable	209,329
Intergovernmental Receivables	872,361
Property Taxes Receivable	48,273
Interest Receivable	4,863
Inventory, At Cost	6,975
Prepaid Items	11,311
Restricted Cash and Investments	7,163,882
Capital Assets:	
Non-Depreciable	29,930,540
Depreciable (Net)	75,321,571
Total Assets	<u>135,355,454</u>
<b>LIABILITIES</b>	
Accounts Payable	1,499,785
Accrued Wages and Benefits	157,519
Other Liabilities	4,451
Interest Payable	166,422
Retainage Payable	457,146
Customer Deposits Payable	6,100
Unearned Revenue	215,926
Matured Debt Principal Payable	390,000
Noncurrent Liabilities:	
Due Within One Year	4,545,644
Due in More Than One Year	11,095,245
Total Liabilities	<u>18,538,238</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	95,325,824
Restricted For:	
Highways and Streets	1,706,741
Public Safety	275,035
Capital Outlay	2,136,201
Debt Service	2,181,444
Cottonwoods Maintenance District	11,389
Unrestricted	15,180,582
Total Net Position	<u><u>\$ 116,817,216</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2015**

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>PROGRAM REVENUES</b>			<b>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</b>
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 2,479,365	\$ 1,671,843	\$ -	\$ 2,625,796	\$ 1,818,274
Public Safety	6,816,152	18,965	38,211	-	(6,758,976)
Highways and Streets	4,963,979	3,022	1,392,806	-	(3,568,151)
Culture and Recreation	2,822,954	-	-	249,000	(2,573,954)
Development Services	2,074,611	-	-	-	(2,074,611)
Interest on Long-Term Debt	698,542	-	-	-	(698,542)
<b>Total Governmental Activities</b>	<b>\$ 19,855,603</b>	<b>\$ 1,693,830</b>	<b>\$ 1,431,017</b>	<b>\$ 2,874,796</b>	<b>(13,855,960)</b>

**GENERAL REVENUES**

Taxes:	
Sales	8,983,049
Property	904,660
Franchise	352,673
State Sales and Income Tax Revenue Sharing - Unrestricted	4,854,361
Vehicle License Tax Revenue Sharing - Unrestricted	858,874
Investment Earnings	150,358
Miscellaneous	188,251
<b>Total General Revenues</b>	<b>16,292,226</b>
Change in Net Position	2,436,266
Net Position - Beginning	114,380,950
Net Position - Ending	<b>\$ 116,817,216</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>HURF</u>	<u>Capital Projects</u>	<u>General Obligation Debt Service</u>
<b>ASSETS</b>				
Cash and Investments	\$ 8,627,196	\$ 1,765,295	\$ 6,650,549	\$ 438,711
Cash with Paying Agent	-	-	-	430,000
Accounts Receivable	114,925	16,528	77,876	-
Intergovernmental Receivable	456,617	166,030	212,953	-
Taxes Receivable	39,978	-	-	5,123
Interest Receivable	-	-	-	-
Inventory, At cost	6,975	-	-	-
Prepaid Items	10,655	387	-	-
Restricted Cash and Investments	68,996	-	5,415,799	-
Total Assets	<u>\$ 9,325,342</u>	<u>\$ 1,948,240</u>	<u>\$ 12,357,177</u>	<u>\$ 873,834</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 220,776	\$ 228,906	\$ 1,040,108	\$ -
Accrued Wages and Benefits	138,949	11,447	-	-
Other Liabilities	3,305	1,146	-	-
Retainage Payable	-	-	457,146	-
Customer Deposits Payable	6,100	-	-	-
Unearned Revenue	1,000	-	-	-
Interest Payable	-	-	-	129,772
Matured Debt Principal Payable	-	-	-	390,000
Total Liabilities	<u>370,130</u>	<u>241,499</u>	<u>1,497,254</u>	<u>519,772</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>60,710</u>	<u>14,436</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable				
Cash with Escrow Agent	-	-	-	-
Inventory	6,975	-	-	-
Prepaid Items	10,655	387	-	-
Restricted	-	1,691,918	5,415,799	354,062
Committed	2,634,923	-	-	-
Assigned	1,872,492	-	5,444,124	-
Unassigned	4,369,457	-	-	-
Total Fund Balances	<u>8,894,502</u>	<u>1,692,305</u>	<u>10,859,923</u>	<u>354,062</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,325,342</u>	<u>\$ 1,948,240</u>	<u>\$ 12,357,177</u>	<u>\$ 873,834</u>

See accompanying Notes to Basic Financial Statements.

Municipal Property Corporation Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 89,223	\$ 3,785,375	\$ 21,356,349
-	-	430,000
-	-	209,329
24,139	12,622	872,361
-	3,172	48,273
4,863	-	4,863
-	-	6,975
-	269	11,311
1,679,087	-	7,163,882
<u>\$ 1,797,312</u>	<u>\$ 3,801,438</u>	<u>\$ 30,103,343</u>

\$ -	\$ 9,995	\$ 1,499,785
-	7,123	157,519
-	-	4,451
-	-	457,146
-	-	6,100
-	214,926	215,926
36,650	-	166,422
-	-	390,000
<u>36,650</u>	<u>232,044</u>	<u>2,897,349</u>

<u>-</u>	<u>-</u>	<u>75,146</u>
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1,645,000	-	1,645,000
-	-	6,975
-	269	11,311
115,662	2,489,345	10,066,786
-	1,079,780	3,714,703
-	-	7,316,616
-	-	4,369,457
<u>1,760,662</u>	<u>3,569,394</u>	<u>27,130,848</u>

<u>\$ 1,797,312</u>	<u>\$ 3,801,438</u>	<u>\$ 30,103,343</u>
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**TOWN OF FOUNTAIN HILLS, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balances for Governmental Funds \$ 27,130,848

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	203,934,771
Less Accumulated Depreciation	(98,682,660)
Capital Assets Used in Governmental Activities	105,252,111

Some revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.

Miscellaneous Permits	75,146
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.

General Obligation Bonds	(11,475,000)
Revenue Bonds Payable	(3,525,000)
Premium on Bonds	(342,086)
Compensated Absences	(298,803)

Total Net Position of Governmental Activities	\$ 116,817,216
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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>HURF</u>	<u>Capital Projects</u>	<u>General Obligation Debt Service</u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 7,504,014	\$ -	\$ 444,155	\$ -
Property	-	-	-	475,285
Franchise	352,673	-	-	-
Intergovernmental	4,815,885	2,251,680	2,600,221	-
Fines and Forfeitures	167,491	-	-	-
Licenses and Permits	719,397	-	200,000	-
Charges for Services	173,519	3,022	-	-
Leases and Rents	269,753	-	-	-
Investment Earnings	55,299	807	51,174	328
Other	31,989	11,108	121,477	-
Total Revenues	<u>14,090,020</u>	<u>2,266,617</u>	<u>3,417,027</u>	<u>475,613</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,192,408	-	1,949	-
Public Safety	6,675,874	-	-	-
Highways and Streets	-	1,275,779	-	-
Culture and Recreation	1,960,585	-	-	-
Development Services	1,772,964	-	-	-
Debt Service:				
Principal Retirement	-	-	-	390,000
Interest on Long-Term Debt	-	-	-	169,772
Fiscal Charges	-	-	-	1,250
Issuance Costs	-	-	105,394	-
Capital Outlay	-	-	8,750,177	-
Total Expenditures	<u>12,601,831</u>	<u>1,275,779</u>	<u>8,857,520</u>	<u>561,022</u>
Excess (Deficiency) of Revenues Over Expenditures	1,488,189	990,838	(5,440,493)	(85,409)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	562	1,564,936	362,637
Transfers Out	(591,639)	(486)	(319,192)	-
Issuance of Long-Term Debt	-	-	7,565,000	-
Premium on the Issuance of Long-Term Debt	-	-	342,086	-
Debt Service Principal	-	-	-	-
Total Other Financing Sources (Uses)	<u>(591,639)</u>	<u>76</u>	<u>9,152,830</u>	<u>362,637</u>
Net Change in Fund Balance	896,550	990,914	3,712,337	277,228
<b>FUND BALANCE</b>				
Beginning of Year	7,997,952	701,391	7,147,586	76,834
End of Year	<u>\$ 8,894,502</u>	<u>\$ 1,692,305</u>	<u>\$ 10,859,923</u>	<u>\$ 354,062</u>

See accompanying Notes to Basic Financial Statements.

Municipal Property Corporation Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 689,920	\$ 344,960	\$ 8,983,049
-	429,375	904,660
-	-	352,673
-	102,262	9,770,048
-	18,965	186,456
-	123,985	1,043,382
-	-	176,541
-	-	269,753
15,688	27,062	150,358
-	23,677	188,251
<u>705,608</u>	<u>1,070,286</u>	<u>22,025,171</u>
-	80,767	2,275,124
-	-	6,675,874
-	-	1,275,779
-	2,000	1,962,585
-	301,026	2,073,990
1,265,000	195,000	1,850,000
184,500	100,685	454,957
6,513	1,428	9,191
57,000	72,000	234,394
-	48,891	8,799,068
<u>1,513,013</u>	<u>801,797</u>	<u>25,610,962</u>
(807,405)	268,489	(3,585,791)
500,000	91,639	2,519,774
-	(1,608,457)	(2,519,774)
1,880,000	2,300,000	11,745,000
-	-	342,086
<u>(1,785,000)</u>	<u>(2,300,000)</u>	<u>(4,085,000)</u>
<u>595,000</u>	<u>(1,516,818)</u>	<u>8,002,086</u>
(212,405)	(1,248,329)	4,416,295
<u>1,973,067</u>	<u>4,817,723</u>	<u>22,714,553</u>
<u>\$ 1,760,662</u>	<u>\$ 3,569,394</u>	<u>\$ 27,130,848</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances of Governmental Funds \$ 4,416,295

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	9,067,254
Less Current Year Depreciation	(4,869,785)
Excess Capital Expenditures Over Depreciation	4,197,469

The Statement of Activities reports losses arising from the disposal of existing capital assets as well as capital contributions received from other governments. Conversely, governmental funds do not report any gain or loss on disposals of capital assets or capital contributions.

Loss on Disposal of Capital Assets	(8,618)
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Some revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Miscellaneous Permits	49,699
Miscellaneous Revenue	(32,001)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the Statement of Net Position and the repayment of principal on long-term debt reduces long-term debt on the Statement of Net Position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when the debt is first issued, whereas these items are amortized over the term of the long term debt in the Statement of Activities except for issuance costs which are expensed in the year when incurred.

Principal Payments on General Obligation Bonds	585,000
Principal Payments on Revenue Bonds	1,265,000
Payment to Escrow Agent	4,085,000
Issuance of Long-Term Debt	(11,745,000)
Premium on the Issuance of Long-Term Debt	(342,086)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net Change in Compensated Absences	(34,492)
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Change in Net Position of Governmental Activities	\$ 2,436,266
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See accompanying Notes to Basic Financial Statements.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 7,232,640	\$ 7,232,640	\$ 7,504,014	\$ 271,374
Franchise Taxes	316,400	316,400	352,673	36,273
Intergovernmental	4,806,008	4,806,008	4,815,885	9,877
Fines and Forfeitures	150,011	150,011	167,491	17,480
Licenses and Permits	691,409	691,409	719,397	27,988
Charges for Services	141,350	141,350	173,519	32,169
Leases and Rents	241,762	241,762	269,753	27,991
Investment Earnings	62,424	62,424	55,299	(7,125)
Other	48,480	48,480	31,989	(16,491)
Total Revenues	<u>13,690,484</u>	<u>13,690,484</u>	<u>14,090,020</u>	<u>399,536</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Mayor and Council	80,318	85,318	82,680	2,638
Administration	1,914,694	1,916,194	1,812,073	104,121
Municipal Court	275,165	300,165	297,655	2,510
Total General Government	<u>2,270,177</u>	<u>2,301,677</u>	<u>2,192,408</u>	<u>109,269</u>
Public Safety:				
Law Enforcement	3,379,630	3,379,630	3,353,580	26,050
Fire and Emergency Medical	3,435,099	3,435,099	3,322,294	112,805
Total Public Safety	<u>6,814,729</u>	<u>6,814,729</u>	<u>6,675,874</u>	<u>138,855</u>
Culture and Recreation:				
Community Services	2,205,721	2,116,719	1,960,585	156,134
Development Services	1,702,762	1,789,648	1,772,964	16,684
Total Expenditures	<u>12,993,389</u>	<u>13,022,773</u>	<u>12,601,831</u>	<u>420,942</u>
Excess (Deficiency) of Revenues Over Expenditures	697,095	667,711	1,488,189	820,478
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(395,500)	(507,639)	(591,639)	(84,000)
Net Change in Fund Balance	301,595	160,072	896,550	736,478
<b>FUND BALANCE</b>				
Beginning of Year	7,997,952	7,997,952	7,997,952	-
End of Year	<u>\$ 8,299,547</u>	<u>\$ 8,158,024</u>	<u>\$ 8,894,502</u>	<u>\$ 736,478</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USER REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 2,061,094	\$ 2,061,094	\$ 2,251,680	\$ 190,586
Charges for Services	12,240	12,240	3,022	(9,218)
Investment Earnings	1,200	1,200	807	(393)
Other	6,060	5,498	11,108	5,610
Total Revenues	<u>2,080,594</u>	<u>2,080,032</u>	<u>2,266,617</u>	<u>186,585</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	<u>2,387,204</u>	<u>2,387,204</u>	<u>1,275,779</u>	<u>1,111,425</u>
Excess (Deficiency) of Revenues Over Expenditures	(306,610)	(307,172)	990,838	1,298,010
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	562	562	-
Transfers Out	-	-	(486)	(486)
Total Other Finance Sources (Uses)	<u>-</u>	<u>562</u>	<u>76</u>	<u>(486)</u>
Net Change in Fund Balance	(306,610)	(306,610)	990,914	1,297,524
<b>FUND BALANCE</b>				
Beginning of Year	701,391	701,391	701,391	-
End of Year	<u>\$ 394,781</u>	<u>\$ 394,781</u>	<u>\$ 1,692,305</u>	<u>\$ 1,297,524</u>

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Fountain Hills, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting Entity**

The Town is a municipal entity governed by an elected Mayor and Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the Town, the primary government.

The Town reports the following component units:

*Eagle Mountain Community Facilities District and the Cottonwoods Maintenance District.* As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed taxes, and thus for the costs of operating the Districts. The Town Council serves as the Board of Directors; however, the Town has no liability for the Districts' debt, the Districts are responsible for the debt; the debt is therefore not subject to the Town's debt limit. The District cannot be part of another reporting entity. The District's governing body is substantially the same as the Town and the Town's management oversees operations, resulting in the Town having the ability to exercise control. As a result, for financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the Town's operations.

*Town of Fountain Hills, Arizona Municipal Property Corporation.* The Town of Fountain Hills, Arizona Municipal Property Corporation's (MPC) Board of Directors consists of three members which are appointed by the Fountain Hills Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. The MPC cannot be part of another reporting entity. The MPC provides services exclusively to the Town. As a result, for financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the Town as a whole. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues. The Town does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state shared revenues, investment earnings and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and therefore the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Other receivables that will not be collected within the available period have also been reported as deferred inflows on the governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major governmental funds.

General Fund

This fund is the Town's primary operating fund. The Fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway Users Revenue Fund (HURF)

This special revenue fund accounts for the Town's share of motor vehicle fuel tax revenues.

Capital Projects Fund

This fund accounts for the capital improvements to various projects and equipment purchases of the Town.

General Obligation Debt Service Fund

This fund accounts for the Town's property tax revenues received to pay the debt service of the Town's general obligation bonds.

Municipal Property Corporation Debt Service Fund

This fund accounts for the revenues received to pay the debt service on MPC revenue bonds.

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**1. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**2. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Property taxes are levied by the Town and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

Pursuant to Arizona Revised Statutes (A.R.S.) a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise. The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

The primary tax levy is limited to an increase of 2% over the previous year’s maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1% of the market value of their homes. If the combined primary property tax (for the Town, County, School District, etc.) exceeds 1% of the market value of the homes, the school districts will reduce their rate until the homeowners’ aggregate rate is equal to or less than the allowable 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10% a year. The dollar amount of the secondary property tax levy is “unlimited” and the actual full cash value of property is used in determining the tax rate. The Town does not assess a primary tax.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**2. Receivables and Payables (Continued)**

Intergovernmental receivables include amounts due from other government agencies and include Town sales tax (\$313,802), Highway User Revenue fuel tax (\$130,117), State sales and income tax (\$179,019), vehicle license tax (\$35,918), court (\$552), and grants (\$212,953) in the governmental funds and governmental activities column of the government-wide financial statements.

**3. Inventory**

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide financial statements, and as expenditures when consumed on the fund financial statements.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. In the government-wide and fund financial statements prepaids are recognized as expenses/expenditures when goods and/or services are received rather than when purchased.

**5. Restricted Cash and Investments**

The Town reported restricted assets in the amount of \$68,996 for funds held in an escrow account. The agreement provides that if, prior to July 1, 2017, any future Council fails to ratify this agreement or fails to provide severance when required as set forth in the agreement between the Town Council and Town Manager, the Town Manager shall be permitted to withdraw all funds from the escrow, minus any interest earned, which interest shall be payable to the Town upon the Town Manager's withdrawal of the amounts in escrow. The Town also has \$1,676,787 deposited in an irrevocable trust with an escrow agent to make future principal and interest payments on the 2004 Municipal Property Corporation Revenue Bonds and \$5,415,799 of unspent bond proceeds.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**6. Capital Assets**

Capital assets, which include land, artwork, buildings, improvements, vehicles, machinery, and equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. The capital assets include all infrastructure assets acquired by the Town since incorporation.

Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15-50
Buildings and Building Improvements	20-50
Improvements Other than Buildings	20
Vehicles, machinery and equipment	5-20

**7. Compensated Absences**

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue as pay periods are completed at the current rate of pay.

Effective October 7, 2004, all eligible full-time and part-time employees can accrue vacation leave. Full-time employees accrue up to a maximum of 224 hours of vacation through carryover of balances, while part-time employees can accrue up to 112 hours, depending upon their length of service. In the event of termination, employees will be paid for any accrued, but unused, vacation hours. Also effective October 7, 2004, full-time employees started to accrue sick leave, based on their length of service, up to a maximum of 960 hours. A portion of this balance will be paid upon a satisfactory separation of service.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**7. Compensated Absences (Continued)**

The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**8. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts and the difference between the reacquisition price and the net carrying amount of the old debt, are amortized over the life of the bonds using the straight-line method over the term of the related debt. The difference between the reacquisition price and the net carrying value of the old debt is reported as either a deferred inflow or a deferred outflow of resources and the premium and/or discount are recorded against the outstanding debt. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts of debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Net Position**

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets, is separately reported because capital assets make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**10. Fund Balance Classifications**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. Committed fund balances are self-imposed limitations approved by the Town's Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances. Fund balances must be committed prior to fiscal year end through formal council action by passage of a resolution at a public meeting. Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Finance Director to assign fund balances. The unassigned fund balance is the residual classification for the General Fund and includes all amounts not reported in the other classifications.

Also, deficits in fund balances of the other governmental funds are reported as unassigned.

It is the Town's policy to use restricted fund balance first, then committed, assigned, and lastly unassigned amounts.

The Town has established a fund balance policy whereas the combined General Fund operating fund balance of at least 30% of the average actual General Fund revenues for the preceding five fiscal years is recommended.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**10. Fund Balance Classifications (Continued)**

The Town has established a stabilization fund (Rainy Day fund) in the Town's fund balance policy. The Rainy Day fund had a balance of \$2,624,843, reported as a committed fund balance at June 30, 2015. The Rainy Day fund may only be used for the following: 1) to replace the loss of more than 25% of the Town's local share of State shared revenues, 2) for any event that threatens the health, safety or welfare of the Town's citizens, 3) for any event that threatens the fiscal stability of the Town, and lastly 4) to address any matter declared as an emergency by the Governor of the State of Arizona or the Mayor of the Town. All withdrawals from the Rainy Day fund shall be subject to the following rules: 1) any appropriation shall require the approval by at least 2/3 vote by the Town Council, and 2) the maximum amount of Rainy Day withdrawal in any fiscal year shall not exceed one-half of the total balance in the fund. Replenishment of the Rainy Day fund when spent by the Town should not exceed a period of more than five years, and should be repaid in equal annual installments of not less than 1% of the previous fiscal year General Fund fund balance. Repayments shall be appropriated as part of the annual budget adoption.

**11. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds.

**12. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
Major Funds:	
Municipal Property Corporation Debt Service Fund	\$ 399,813
General Obligation Debt Service Fund	88,922
Nonmajor Governmental Funds:	
Economic Development Fund	10,406
Development Fees Fund	535
Total	<u>\$ 499,676</u>

The overexpenditure of \$399,813 and \$88,922 in the Municipal Property Corporation Debt Service Fund and General Obligation Debt Service Fund respectively were due to required principal and interest payments. The overexpenditures in the Nonmajor Governmental Funds were due to greater than expected expenditures. The Town has cash available to meet the overexpenditures.

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**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2015, consist of the following:

Deposits:	
Cash on Hand	\$ 650
Cash in Bank	7,911,802
Cash on Deposit with Paying Agent	430,000
Cash on Deposit with Escrow Agent	68,996
Investments	
Local Government Investment Pool	3,518,327
Wells Fargo Money Market	84,301
U.S. Agency Securities	3,545,801
U.S. Treasury Securities	1,676,787
U.S. Treasury Notes	<u>11,713,567</u>
Total	28,950,231
Less Cash with Paying Agent	(430,000)
Less Restricted Assets	<u>(7,163,882)</u>
Total Cash and Investments	<u><u>\$ 21,356,349</u></u>

**Deposits**

The Town's deposits at June 30, 2015, had a carrying value of \$7,911,802 and a bank balance of \$8,431,288. Of the bank balance, \$500,000 was insured by federal depository insurance and \$7,931,288 was collateralized by the Arizona State Treasurer pooled collateral program.

**Investments**

The Town's investments at June 30, 2015 were as follows:

<u>Investment Type</u>	<u>Amount</u>
Local Government Investment Pool	\$ 3,518,327
Wells Fargo Money Market	84,301
U.S. Agency Securities	3,545,801
U.S. Treasury Securities	1,676,787
U.S. Treasury Notes	<u>11,713,567</u>
	<u><u>\$ 20,538,783</u></u>

The State Board of Deposit provides oversight for the LGIP, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Credit Risk* – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Town will limit credit risk by limiting investments in the Town’s portfolio to the asset classes designated as acceptable in A.R.S 835-323. When possible, analysis of the credit worthiness of all individual debt issuers held in the portfolio should be conducted on an annual basis in an effort to guard against investing in weak or deteriorating credit situation. Additionally, the Town will pre-qualify financial institutions, brokers/dealers, and investment advisors with which the Town will do business.

At June 30, 2015, credit risk for the Town’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Agency</u>	<u>Amount</u>
Local Government Investment Pool	AAA	S&P	\$ 3,518,327
Wells Fargo Money Market	N/A	N/A	84,301
U.S. Agency Securities	AA+/Aaa	S&P/Moody's	3,545,801
U.S. Treasury Securities	N/A	N/A	1,676,787
U.S. Treasury Notes	AA+/Aaa	S&P/Moody's	11,713,567
			<u>\$ 20,538,783</u>

*Custodial credit risk* – Concentration credit risk is the risk of loss associated with the majority of investments in a single issuer. The Town of Fountain Hills will diversify its investments by security type and institution. With the exception of U.S. Treasury notes and securities and authorized pools, no more than 25% of the Town’s total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2015, the Town had the following diversification of Town investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Town Investments</u>
Local Government Investment Pool	\$ 3,518,327	17.13%
Wells Fargo Money Market	84,301	0.41%
U.S. Agency Securities	3,545,801	17.26%
U.S. Treasury Securities	1,676,787	8.17%
U.S. Treasury Notes	11,713,567	57.03%
	<u>\$ 20,538,783</u>	<u>100.00%</u>

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The Town will look to mitigate interest rate risk by performing the following:

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

- Structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity.
- Investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio in accordance with the needs of the Town.
- With respect to any firm or individual given responsibility for investments utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

The following is a table of the Town's investment maturities:

<b>Investment</b>	<b>Maturity</b>			<b>Total</b>
	<b>0-6 Months</b>	<b>6-12 Months</b>	<b>12+ Months</b>	
Local Government Investment Pool	\$ 3,518,327	\$ -	\$ -	\$ 3,518,327
Wells Fargo Advantage Money Market	84,301	-	-	84,301
Federal Home Loan Bank Global Notes	-	-	796,119	796,119
Federal Home Loan Mortgage Corp. Notes	-	500,134	1,207,460	1,707,594
Federal National Mortgage Association Notes	-	611,619	430,469	1,042,088
U.S. Treasury Securities	1,676,787	-	-	1,676,787
U.S. Treasury Notes	-	2,600,586	9,112,981	11,713,567
Total	<u>\$ 5,279,415</u>	<u>\$ 3,712,339</u>	<u>\$ 11,547,029</u>	<u>\$ 20,538,783</u>

**2. Receivables**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Miscellaneous		
General Fund	\$ 60,710	\$ 1,000
Highway User Revenue Fund	14,436	-
Grants		
Nonmajor Governmental Funds	-	214,926
	<u>\$ 75,146</u>	<u>\$ 215,926</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital assets for the year ended June 30, 2015, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,571,668	\$ -	\$ -	\$ 23,571,668
Artwork	1,967,500	249,000	-	2,216,500
Construction in Progress	1,795,179	8,773,354	(6,426,161)	4,142,372
<b>Total Capital Assets, Not Being Depreciated</b>	<b>27,334,347</b>	<b>9,022,354</b>	<b>(6,426,161)</b>	<b>29,930,540</b>
Capital Assets, Being Depreciated:				
Infrastructure	131,540,108	6,270,997		137,811,105
Buildings and Building Improvements	19,011,247	486	(15,092)	18,996,641
Improvements Other than Buildings	13,642,549	23,677	-	13,666,226
Vehicles, Machinery and Equipment	3,463,105	175,901	(108,747)	3,530,259
<b>Total Capital Assets, Being Depreciated</b>	<b>167,657,009</b>	<b>6,471,061</b>	<b>(123,839)</b>	<b>174,004,231</b>
Accumulated Depreciation for:				
Infrastructure	(79,574,439)	(3,693,755)	-	(83,268,194)
Buildings and Building Improvements	(4,395,666)	(405,675)	6,474	(4,794,867)
Improvements Other than Buildings	(7,729,421)	(625,223)	-	(8,354,644)
Vehicles, Machinery and Equipment	(2,228,570)	(145,132)	108,747	(2,264,955)
<b>Total Accumulated Depreciation</b>	<b>(93,928,096)</b>	<b>(4,869,785)</b>	<b>115,221</b>	<b>(98,682,660)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>73,728,913</b>	<b>1,601,276</b>	<b>(8,618)</b>	<b>75,321,571</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 101,063,260</b>	<b>\$ 10,623,630</b>	<b>\$ (6,434,779)</b>	<b>\$ 105,252,111</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 186,043
Public Safety	140,278
Highways and Streets	3,688,200
Culture and Recreation	850,725
Community Development	4,539
<b>Total Depreciation Expense</b>	<b>\$ 4,869,785</b>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Construction Commitments**

At June 30, 2015, the Town has the following active construction commitments:

Project	Governmental Activities	
	Spent-to-date	Remaining Commitment
Drainage - Ashbrook Wash Channel	\$ 43,147	\$ 115,000
Fountain Park VI	584,955	233,027
Shea Boulevard Widening Project	4,297,488	220,014
Saguaro Boulevard Reconstruction	3,216,390	4,328,194
Fountain Hills Boulevard Shoulder Paving	103,372	18,836
Traffic Signal - Palisades and Saguaro	82,171	332,247
Total Commitments	<u>\$ 8,327,523</u>	<u>\$ 5,247,318</u>

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers Out	Transfers In					Total
	HURF Fund	Capital Projects Fund	Municipal Property Corporation Debt Service Fund	General Obligation Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 500,000	\$ -	\$ 91,639	\$ 591,639
HURF Fund	-	486	-	-	-	486
Capital Projects Fund	-	-	-	319,192	-	319,192
Funds	562	1,564,450	-	43,445	-	1,608,457
Total	<u>\$ 562</u>	<u>\$ 1,564,936</u>	<u>\$ 500,000</u>	<u>\$ 362,637</u>	<u>\$ 91,639</u>	<u>\$ 2,519,774</u>

The General Fund transferred \$500,000 to pay for debt service costs on the Municipal Property Corporation's outstanding bonds. The General Fund transferred \$91,639 to the Nonmajor Governmental Fund to support economic development activities and cover the Town's matching requirements on grants. The HURF Fund transferred \$486 to the Capital Projects Fund for capital expenditures. The Capital Projects Fund transferred \$319,192, to the General Obligation Debt Service Fund to move the premium on the G.O. Bond issuance to the debt service fund. The Nonmajor Governmental Funds transferred \$562 to the HURF Fund to pay for salaries related to the art festivals. The Nonmajor Governmental Funds also transferred \$1,564,450 to the Capital Projects Fund for various ongoing capital projects including the Shea Boulevard widening project and the Avenue of the Fountains median and right-of-way project. The Nonmajor Governmental Funds also transferred \$42,445 to the General Obligation Debt Service Fund to pay for debt service expenditures.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Long-Term Obligations**

Bonds payable at year end consisted of general obligation, municipal property corporation and community facilities district bonds. The bonds are both callable and noncallable with the interest payable semiannually. Property taxes from the General Obligation Bond Debt Service Fund and Eagle Mountain Debt Service Fund are used to pay general obligation and community facilities district bonds. Tax revenues from the General Fund and Excise Tax Fund are used to pay municipal facilities bonds.

During the fiscal year ended June 30, 2015, the Town issued \$2,300,000 in Eagle Mountain Municipal Facilities Revenue Refunding Bonds, Series 2015. The proceeds (\$2,300,000) and \$321,300 of Town cash contributions were used to refund \$2,495,000 of outstanding debt. The proceeds and Town contribution were used to pay issuance costs of \$72,000, accrued interest on the refunded bonds of \$50,343, refund \$2,495,000 of outstanding bonds and place \$3,957 in the debt service account. The refunding resulted in a savings of \$97,340 and a net present value savings of \$94,704. The defeased debt is no longer considered outstanding debt of the Town and has been removed from the Town's long-term liabilities. The defeased bonds were redeemed on July 1, 2015.

Additionally, during the fiscal year ended June 30, 2015, the Town issued \$1,880,000 in Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2015. The proceeds (\$1,880,000) and \$1,014,900 of Town cash contributions were used to refund \$2,780,000 of outstanding debt. The proceeds and Town cash contributions were used to pay issuance costs of \$57,000, accrued interest on outstanding debt of \$55,600, refund \$2,780,000 of outstanding bonds and place \$2,300 in the debt service account. The refunding resulted in a savings of \$55,680 and a net present value savings of \$55,174. The defeased debt is no longer considered outstanding debt of the Town and has been removed from the Town's long-term liabilities. The defeased bonds were redeemed on July 1, 2015.

Lastly, during the fiscal year ended June 30, 2015, the Town issued \$7,565,000 in General Obligation Bonds, Series 2014. The proceeds of \$7,475,000 were deposited in the Capital Projects Fund to pay for the Saguaro Boulevard reconstruction project. The bonds were issued at a premium of \$342,086 of which \$319,192 was transferred to the Debt Service Fund net of the underwriter's discount. The Issuances costs were \$105,394. The General Obligation Bonds, Series 2014 have an interest rate of 2%-3% and will be retired in 2020.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Long-Term Obligations (Continued)**

Bonds outstanding at June 30, 2015, were as follows:

Purpose	Interest Rates	Maturity Date	Original Amount	Outstanding Amount
<b>Governmental Activities:</b>				
General Obligation Bonds:				
General Obligation Refunding Bonds, Series 2005	4.00	07/01/16-19	\$ 7,225,000	\$ 1,610,000
General Obligation Bonds, Series 2014	4.00	07/01/16-20	7,565,000	7,565,000
Eagle Mountain Community Facilities District, General Obligation Refunding Bonds, Series 2015	2.00-3.00	7/1/2016-21	2,300,000	2,300,000
Total General Obligation Bonds			<u>\$ 17,090,000</u>	<u>\$ 11,475,000</u>
Revenue Bonds:				
Municipal Facilities Revenue Bonds, Series 2004	4.25-4.50	7/1/2015	\$ 3,645,000	\$ 1,645,000
Municipal Facilities Revenue Refunding Bonds, Series 2015	1.62	7/01/16-20	1,880,000	1,880,000
Total Revenue Bonds			<u>\$ 5,525,000</u>	<u>\$ 3,525,000</u>

The Town has pledged future excise taxes to repay a total of \$1,880,000 in outstanding municipal facilities revenue and refunding bonds. The outstanding balance of \$1,645,000 for the Municipal Facilities Revenue Bonds, Series 2004 have been put into an escrow account for payment on July 1, 2015. For fiscal year ended June 30, 2015, the net revenues available to service this debt were \$15.5 million. The debt principal and interest paid on this debt for the fiscal year was \$1,265,000 and \$184,500, respectively (9% of available pledged revenues). Principal and interest outstanding on the bonds at June 30, 2015 is \$3,612,820.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
<b>Governmental Activities</b>					
Bonds					
General Obligation Bonds	\$ 4,495,000	\$ 9,865,000	\$ (2,885,000)	\$ 11,475,000	\$ 2,135,000
Revenue Bonds	4,695,000	1,880,000	(3,050,000)	3,525,000	2,125,000
Premium on Bonds	-	342,086	-	342,086	68,417
Total Bonds	<u>9,190,000</u>	<u>12,087,086</u>	<u>(5,935,000)</u>	<u>15,342,086</u>	<u>4,328,417</u>
Other Liabilities:					
Compensated Absences	<u>264,311</u>	<u>253,343</u>	<u>(218,851)</u>	<u>298,803</u>	<u>217,227</u>
Governmental Activities Long-Term Liabilities	<u>\$ 9,454,311</u>	<u>\$ 12,340,429</u>	<u>\$ (6,153,851)</u>	<u>\$ 15,640,889</u>	<u>\$ 4,545,644</u>

Debt service requirements on long-term debt at June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 4,328,417	\$ 308,106
2017	2,743,417	244,986
2018	2,788,417	185,092
2019	2,703,417	123,872
2020	2,378,418	67,302
2021	400,000	7,040
	<u>\$ 15,342,086</u>	<u>\$ 936,398</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Fund Balances**

Fund Balances at June 30, 2015 were as follows:

	General	HURF	Capital Projects	General Obligation Debt Service	Municipal Property Corporation Debt Service	Nonmajor Governmental Funds	Total
Nonspendable:							
Cash with Escrow Agent	\$ -	\$ -	\$ -	\$ -	\$ 1,645,000	\$ -	\$ 1,645,000
Inventory	6,975	-	-	-	-	-	6,975
Prepays	10,655	387	-	-	-	269	11,311
Restricted:							
Debt Service	-	-	5,415,799	354,062	115,662	66,720	5,952,243
Highways and Streets	-	1,691,918	-	-	-	-	1,691,918
Local Court Enhancement	-	-	-	-	-	275,035	275,035
New Development	-	-	-	-	-	2,136,201	2,136,201
Cottonwoods Maintenance District							
	-	-	-	-	-	11,389	11,389
Committed							
Rainy Day Funds	2,624,843	-	-	-	-	-	2,624,843
Public Art	10,080	-	-	-	-	-	10,080
Downtown Strategy and Economic Development	-	-	-	-	-	1,079,780	1,079,780
Assigned							
Vehicle Replacement	457,309	-	-	-	-	-	457,309
Facilities Replacement	102,762	-	-	-	-	-	102,762
Capital Projects	787,453	-	5,444,124	-	-	-	6,231,577
Equipment Replacement	524,968	-	-	-	-	-	524,968
Unassigned	4,369,457	-	-	-	-	-	4,369,457
Total Fund Balance	\$ 8,894,502	\$ 1,692,305	\$ 10,859,923	\$ 354,062	\$ 1,760,662	\$ 3,569,394	\$ 27,130,848

**NOTE 4 OTHER INFORMATION**

**A. Contingent Liabilities**

**Lawsuits**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**B. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year, and no settlements exceeded insurance coverage during any of the past three fiscal years.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Risk Management (Continued)**

Previously, the Town was unable to obtain workers' compensation insurance at a cost considered to be economically justifiable. Therefore, the Town had joined the Arizona Municipal Workers' Compensation Pool (AMWCP). AMWCP is a public entity risk pool currently operating as a common workers' compensation insurance program for 67 member cities and towns. The Town is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

**C. Retirement Plans**

**Defined Contribution Pension Plan**

All full-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the Town employees covered by this plan for the year ended June 30, 2015, was \$2,460,327. The Town's total payroll was \$2,901,937.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined, instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest after five years of service on a pro rata basis.

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee must contribute 11% of his or her gross earnings. The Town must match the employee contribution of 11%. During the fiscal year, the Town's required and actual contributions amounted to \$270,636. The employees' contributions totaled \$270,636. Employees may also contribute to the ICMA Retirement Corporation 457 plan on a voluntary basis; there is no employer match for those contributions. During the fiscal year, employees contributed \$143,891 to that plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2014-15 or as of the close of the fiscal year.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Development Fees Fund* - accounts for restricted development fees collected from developers for projects approved by the Town Council.

*Local Court Enhancement Fund* - accounts for a local court surcharge, restricted for court enhancement.

*Grants Fund* - accounts for the activities of various restricted grants and contributions received by the Town.

*Downtown Strategy Fund* - accounts for the portion of Town sales tax committed by the Town Council for the development of downtown.

*Economic Development Fund* – accounts for the portion of Town sales tax committed by the Town Council for economic development and tourism.

*Cottonwoods Maintenance Fund* - accounts for all special assessments restricted to pay for maintenance of the Cottonwoods Maintenance District.

### **DEBT SERVICE FUNDS**

*Eagle Mountain Debt Service Fund* – accounts for the property tax revenues restricted to pay the debt service of the Eagle Mountain Community Facilities District component unit.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	Special Revenue Funds			
	Development Fees	Local Court Enhancement	Grants	Downtown Strategy
<b>ASSETS</b>				
Cash and Investments	\$ 2,136,201	\$ 274,483	\$ 214,926	\$ 967,587
Intergovernmental Receivable	-	552	-	2,414
Taxes Receivable	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	\$ 2,136,201	\$ 275,035	\$ 214,926	\$ 970,001
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 7,085
Accrued Wages and Benefits	-	-	-	-
Unearned Revenue	-	-	214,926	-
Total Liabilities	-	-	214,926	7,085
Fund Balances				
Nonspendable	-	-	-	-
Restricted	2,136,201	275,035	-	-
Committed	-	-	-	962,916
Total Fund Balances	2,136,201	275,035	-	962,916
Total Liabilities and Fund Balances	\$ 2,136,201	\$ 275,035	\$ 214,926	\$ 970,001

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>		
<u>Economic Development</u>	<u>Cottonwoods Maintenance</u>	<u>Total Special Revenue Funds</u>	<u>Eagle Mountain Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 116,991	\$ 11,597	\$ 3,721,785	\$ 63,590	\$ 3,785,375
9,656	-	12,622	-	12,622
-	42	42	3,130	3,172
269	-	269	-	269
<u>\$ 126,916</u>	<u>\$ 11,639</u>	<u>\$ 3,734,718</u>	<u>\$ 66,720</u>	<u>\$ 3,801,438</u>
\$ 2,660	\$ 250	\$ 9,995	\$ -	\$ 9,995
7,123	-	7,123	-	7,123
-	-	214,926	-	214,926
<u>9,783</u>	<u>250</u>	<u>232,044</u>	<u>-</u>	<u>232,044</u>
269	-	269	-	269
-	11,389	2,422,625	66,720	2,489,345
116,864	-	1,079,780	-	1,079,780
<u>117,133</u>	<u>11,389</u>	<u>3,502,674</u>	<u>66,720</u>	<u>3,569,394</u>
<u>\$ 126,916</u>	<u>\$ 11,639</u>	<u>\$ 3,734,718</u>	<u>\$ 66,720</u>	<u>\$ 3,801,438</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			
	Development Fees	Local Court Enhancement	Grants	Downtown Strategy
<b>REVENUES</b>				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ 100,540
Property	-	-	-	-
Intergovernmental	-	-	102,262	-
Fines and Forfeitures	-	18,965	-	-
Licenses and Permits	123,985	-	-	-
Investment Earnings	13,512	65	-	13,225
Other	-	-	23,677	-
Total Revenues	<u>137,497</u>	<u>19,030</u>	<u>125,939</u>	<u>113,765</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	845	76,687	-
Culture and Recreation	-	-	2,000	-
Development Services	535	-	-	37,069
Debt Service				
Principal Retirement	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
Fiscal Charges	-	-	-	-
Issuance Costs	-	-	-	-
Capital Outlay	-	-	48,891	-
Total Expenditures	<u>535</u>	<u>845</u>	<u>127,578</u>	<u>37,069</u>
Excess (Deficiency) of Revenues Over Expenditures	136,962	18,185	(1,639)	76,696
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,639	-
Transfers Out	(451,366)	-	-	(1,157,091)
Issuance of Long-Term Debt	-	-	-	-
Debt Service Principal	-	-	-	-
Total Other Financing Sources (Uses)	<u>(451,366)</u>	<u>-</u>	<u>1,639</u>	<u>(1,157,091)</u>
Net Change in Fund Balances	(314,404)	18,185	-	(1,080,395)
<b>FUND BALANCES</b>				
Beginning of Year	2,450,605	256,850	-	2,043,311
End of Year	<u>\$ 2,136,201</u>	<u>\$ 275,035</u>	<u>\$ -</u>	<u>\$ 962,916</u>

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	
<u>Economic Development</u>	<u>Cottonwoods Maintenance</u>	<u>Total Special Revenue Funds</u>	<u>Eagle Mountain Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 244,420	\$ -	\$ 344,960	\$ -	\$ 344,960
-	4,823	4,823	424,552	429,375
-	-	102,262	-	102,262
-	-	18,965	-	18,965
-	-	123,985	-	123,985
85	9	26,896	166	27,062
-	-	23,677	-	23,677
<u>244,505</u>	<u>4,832</u>	<u>645,568</u>	<u>424,718</u>	<u>1,070,286</u>
-	3,235	80,767	-	80,767
-	-	2,000	-	2,000
263,422	-	301,026	-	301,026
-	-	-	195,000	195,000
-	-	-	100,685	100,685
-	-	-	1,428	1,428
-	-	-	72,000	72,000
-	-	48,891	-	48,891
<u>263,422</u>	<u>3,235</u>	<u>432,684</u>	<u>369,113</u>	<u>801,797</u>
(18,917)	1,597	212,884	55,605	268,489
90,000	-	91,639	-	91,639
-	-	(1,608,457)	-	(1,608,457)
-	-	-	2,300,000	2,300,000
-	-	-	(2,300,000)	(2,300,000)
<u>90,000</u>	<u>-</u>	<u>(1,516,818)</u>	<u>-</u>	<u>(1,516,818)</u>
71,083	1,597	(1,303,934)	55,605	(1,248,329)
46,050	9,792	4,806,608	11,115	4,817,723
<u>\$ 117,133</u>	<u>\$ 11,389</u>	<u>\$ 3,502,674</u>	<u>\$ 66,720</u>	<u>\$ 3,569,394</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 324,600	\$ 324,600	\$ 444,155	\$ 119,555
Intergovernmental	4,314,000	4,314,000	2,600,221	(1,713,779)
Licenses and Permits	-	200,000	200,000	-
Investment Earnings	19,800	19,800	51,174	31,374
Other	-	-	121,477	121,477
Total Revenues	<u>4,658,400</u>	<u>4,858,400</u>	<u>3,417,027</u>	<u>(1,441,373)</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	2,362	(2,362)
Highways and Streets	-	-	9,530	(9,530)
Debt Service				
Issuance Costs	-	-	105,394	(105,394)
Capital Outlay	<u>22,207,830</u>	<u>22,210,080</u>	<u>8,740,234</u>	<u>13,469,846</u>
Total Expenditures	<u>22,207,830</u>	<u>22,210,080</u>	<u>8,857,520</u>	<u>13,352,560</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,549,430)	(17,351,680)	(5,440,493)	11,911,187
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,302,000	2,434,921	1,564,936	(869,985)
Transfers Out	-	-	(319,192)	(319,192)
Issuance of Long-Term Debt	8,200,000	8,200,000	7,565,000	(635,000)
Premium on the Issuance of Long-Term Debt	-	-	342,086	342,086
Total Other Financing Sources (Uses)	<u>10,502,000</u>	<u>10,634,921</u>	<u>9,152,830</u>	<u>(1,482,091)</u>
Net Change in Fund Balance	(7,047,430)	(6,716,759)	3,712,337	10,429,096
<b>FUND BALANCE</b>				
Beginning of Year	7,147,586	7,147,586	7,147,586	-
End of Year	<u>\$ 100,156</u>	<u>\$ 430,827</u>	<u>\$ 10,859,923</u>	<u>\$ 10,429,096</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL OBLIGATION DEBT SERVICE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 474,000	\$ 474,000	\$ 475,285	\$ 1,285
Investment Earnings	210	210	328	118
Total Revenues	<u>474,210</u>	<u>474,210</u>	<u>475,613</u>	<u>1,403</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	390,000	390,000	390,000	-
Interest on Long-Term Debt	80,000	80,000	169,772	(89,772)
Fiscal Charges	2,100	2,100	1,250	850
Total Expenditures	<u>472,100</u>	<u>472,100</u>	<u>561,022</u>	<u>(88,922)</u>
Excess (Deficiency) of Revenues Over Expenditures	2,110	2,110	(85,409)	(87,519)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>-</u>	<u>42,500</u>	<u>362,637</u>	<u>320,137</u>
Net Change in Fund Balance	2,110	44,610	277,228	232,618
<b>FUND BALANCE</b>				
Beginning of Year	76,834	76,834	76,834	-
End of Year	<u>\$ 78,944</u>	<u>\$ 121,444</u>	<u>\$ 354,062</u>	<u>\$ 232,618</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
MUNICIPAL PROPERTY CORPORATION DEBT SERVICE FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 619,800	\$ 619,800	\$ 689,920	\$ 70,120
Investment Earnings	500	500	15,688	15,188
Total Revenues	<u>620,300</u>	<u>620,300</u>	<u>705,608</u>	<u>85,308</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	995,000	995,000	1,265,000	(270,000)
Interest on Long-Term Debt	111,200	111,200	184,500	(73,300)
Fiscal Charges	7,000	7,000	6,513	487
Issuance Costs	-	-	57,000	(57,000)
Total Expenditures	<u>1,113,200</u>	<u>1,113,200</u>	<u>1,513,013</u>	<u>(399,813)</u>
Excess (Deficiency) of Revenues Over Expenditures	(492,900)	(492,900)	(807,405)	(314,505)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	236,000	193,500	500,000	306,500
Issuance of Long-Term Debt	-	-	1,880,000	1,880,000
Debt Service Principal	-	-	(1,785,000)	(1,785,000)
Total Other Finance Sources (Uses)	<u>236,000</u>	<u>193,500</u>	<u>595,000</u>	<u>401,500</u>
Net Change in Fund Balance	(256,900)	(299,400)	(212,405)	86,995
<b>FUND BALANCE</b>				
Beginning of Year	1,973,067	1,973,067	1,973,067	-
End of Year	<u>\$ 1,716,167</u>	<u>\$ 1,673,667</u>	<u>\$ 1,760,662</u>	<u>\$ 86,995</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
DEVELOPMENT FEES FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Licenses and Permits	\$ 12,490	\$ 12,490	\$ 123,985	\$ 111,495
Investment Earnings	100	100	13,512	13,412
Total Revenues	<u>12,590</u>	<u>12,590</u>	<u>137,497</u>	<u>124,907</u>
<b>EXPENDITURES</b>				
Current				
Development Services	<u>-</u>	<u>-</u>	<u>535</u>	<u>(535)</u>
Excess (Deficiency) of Revenues Over Expenditures	12,590	12,590	136,962	124,372
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(567,500)</u>	<u>(700,421)</u>	<u>(451,366)</u>	<u>249,055</u>
Net Change in Fund Balance	(554,910)	(687,831)	(314,404)	373,427
<b>FUND BALANCE</b>				
Beginning of Year	<u>2,450,605</u>	<u>2,450,605</u>	<u>2,450,605</u>	<u>-</u>
End of Year	<u>\$ 1,895,695</u>	<u>\$ 1,762,774</u>	<u>\$ 2,136,201</u>	<u>\$ 373,427</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
LOCAL COURT ENHANCEMENT FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Fines and Forfeitures	\$ 14,250	\$ 18,965	\$ 4,715
Investment Earnings	300	65	(235)
Total Revenues	<u>14,550</u>	<u>19,030</u>	<u>4,480</u>
<b>EXPENDITURES</b>			
Current:			
General Government	<u>80,615</u>	<u>845</u>	<u>79,770</u>
Excess (Deficiency) of Revenues Over Expenditures	(66,065)	18,185	84,250
<b>FUND BALANCE</b>			
Beginning of Year	256,850	256,850	-
End of Year	<u>\$ 190,785</u>	<u>\$ 275,035</u>	<u>\$ 84,250</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,566,132	\$ 1,431,572	\$ 102,262	\$ (1,329,310)
Other	-	-	23,677	23,677
Total Revenues	<u>1,566,132</u>	<u>1,431,572</u>	<u>125,939</u>	<u>(1,305,633)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,566,132	1,289,439	76,687	1,212,752
Culture and Recreation	-	-	2,000	(2,000)
Capital Outlay	-	-	48,891	(48,891)
Total Expenditures	<u>1,566,132</u>	<u>1,289,439</u>	<u>127,578</u>	<u>1,161,861</u>
Excess (Deficiency) of Revenues Over Expenditures	-	142,133	(1,639)	(143,772)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,639	1,639	-
Net Change in Fund Balance	-	143,772	-	(143,772)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ 143,772</u>	<u>\$ -</u>	<u>\$ (143,772)</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DOWNTOWN STRATEGY FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 117,540	\$ 117,540	\$ 100,540	\$ (17,000)
Investment Earnings	-	-	13,225	13,225
Total Revenues	<u>117,540</u>	<u>117,540</u>	<u>113,765</u>	<u>(3,775)</u>
<b>EXPENDITURES</b>				
Current:				
Development Services	<u>114,079</u>	<u>113,517</u>	<u>37,069</u>	<u>76,448</u>
Excess (Deficiency) of Revenues Over Expenditures	3,461	4,023	76,696	72,673
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(1,765,000)</u>	<u>(1,765,562)</u>	<u>(1,157,091)</u>	<u>608,471</u>
Net Change in Fund Balance	(1,761,539)	(1,761,539)	(1,080,395)	681,144
<b>FUND BALANCE</b>				
Beginning of Year	2,043,311	2,043,311	2,043,311	-
End of Year	<u>\$ 281,772</u>	<u>\$ 281,772</u>	<u>\$ 962,916</u>	<u>\$ 681,144</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
ECONOMIC DEVELOPMENT FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	Original	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes:				
Sales	\$ 176,400	\$ 160,300	\$ 244,420	\$ 84,120
Investment Earnings	-	-	85	85
Total Revenues	<u>176,400</u>	<u>160,300</u>	<u>244,505</u>	<u>84,205</u>
<b>EXPENDITURES</b>				
Current:				
Development Services	126,741	126,741	145,299	(18,558)
Culture and Recreation	<u>110,175</u>	<u>126,275</u>	<u>118,123</u>	<u>8,152</u>
Total Expenditures	<u>236,916</u>	<u>253,016</u>	<u>263,422</u>	<u>(10,406)</u>
Excess (Deficiency) of Revenues Over Expenditures	(60,516)	(92,716)	(18,917)	73,799
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net Change in Fund Balance	29,484	(2,716)	71,083	73,799
<b>FUND BALANCE</b>				
Beginning of Year	46,050	46,050	46,050	-
End of Year	<u>\$ 75,534</u>	<u>\$ 43,334</u>	<u>\$ 117,133</u>	<u>\$ 73,799</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COTTONWOODS MAINTENANCE FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 4,823	\$ 4,823	\$ -
Investment Earnings	-	9	9
Total Revenue	<u>4,823</u>	<u>4,832</u>	<u>9</u>
<b>EXPENDITURES</b>			
Current:			
General Government	<u>3,600</u>	<u>3,235</u>	<u>365</u>
Excess (Deficiency) of Revenue Over Expenditures	1,223	1,597	374
<b>FUND BALANCE</b>			
Beginning of Year	9,792	9,792	-
End of Year	<u>\$ 11,015</u>	<u>\$ 11,389</u>	<u>\$ 374</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**EAGLE MOUNTAIN DEBT SERVICE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes:			
Property	\$ 430,248	\$ 424,552	\$ (5,696)
Investment Earnings	600	166	(434)
Total Revenues	430,848	424,718	(6,130)
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	315,000	195,000	120,000
Interest on Long-Term Debt	100,685	100,685	-
Fiscal Charges	7,350	1,428	5,922
Issuance Costs	-	72,000	(72,000)
Total Expenditures	423,035	369,113	53,922
Excess (Deficiency) of Revenues Over Expenditures	7,813	55,605	47,792
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Long-Term Debt	-	2,300,000	2,300,000
Payment to Escrow Agent	-	(2,300,000)	(2,300,000)
Total Other Finance Sources (Uses)	-	-	-
Net Change in Fund Balance	7,813	55,605	47,792
<b>FUND BALANCE</b>			
Beginning of Year	11,115	11,115	-
End of Year	\$ 18,928	\$ 66,720	\$ 47,792

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## **STATISTICAL SECTION (UNAUDITED)**

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

### **Financial Trends**

*These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.*

### **Revenue Capacity**

*These schedules contain information to help the reader assess the factors affecting the Town's ability to generate revenue.*

### **Debt Capacity**

*These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.*

### **Demographic and Economic Information**

*These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other cities.*

### **Operating Information**

*These schedules contain information about the Town's operations and various resources to help the reader draw conclusions as to how the Town's financial information relates to the services provided by the Town.*

*See the table of contents for page numbers of the schedules that encompass the above sections.*

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2006	2007	2008	2009
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 20,806,507	\$ 92,508,637	\$ 94,939,805	\$ 94,611,110
Restricted	12,446,147	12,210,966	12,799,502	11,828,137
Unrestricted	9,053,611	14,276,126	13,230,726	13,765,293
Total Governmental Activities Net Position	<u>\$ 42,306,265</u>	<u>\$ 118,995,729</u>	<u>\$ 120,970,033</u>	<u>\$ 120,204,540</u>

Source: The source of this information is the Town's financial records.

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 95,467,509	\$ 92,579,483	\$ 92,006,103	\$ 89,800,560	\$ 89,713,260	\$ 95,325,824
11,396,116	4,385,595	5,951,416	5,721,744	5,480,867	6,310,810
12,321,090	22,598,669	21,064,267	20,612,758	19,186,823	15,180,582
<u>\$ 119,184,715</u>	<u>\$ 119,563,747</u>	<u>\$ 119,021,786</u>	<u>\$ 116,135,062</u>	<u>\$ 114,380,950</u>	<u>\$ 116,817,216</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year			
	2006	2007	2008	2009
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 3,875,014	\$ 4,292,515	\$ 3,921,588	\$ 4,231,529
Public Safety	5,403,620	5,935,742	6,532,292	7,312,415
Highways and Streets	1,581,068	5,225,835	5,981,347	5,051,294
Culture and Recreation	2,576,406	3,282,160	3,092,661	3,336,616
Development Services	1,812,469	2,512,170	2,861,653	2,218,994
Interest on Long-Term Debt	1,297,119	1,163,370	1,132,947	1,033,536
Total Government Activities Expenses	<u>16,545,696</u>	<u>22,411,792</u>	<u>23,522,488</u>	<u>23,184,384</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Fees, Fines, and Charges for Services				
General Government	4,029,437	910,978	830,963	544,753
Public Safety	-	982,659	746,227	55,042
Highways and Streets	-	-	-	-
Other Activities	103,826	626,431	752,621	888,249
Operating Grants and Contributions	2,022,675	-	56,802	-
Capital Grants and Contributions	-	989,100	835,659	1,353,409
Total Governmental Activities Program Revenues	<u>6,155,938</u>	<u>3,509,168</u>	<u>3,222,272</u>	<u>2,841,453</u>
Net (Expenses)/Revenues	(10,389,758)	(18,902,624)	(20,300,216)	(20,342,931)
<b>GENERAL REVENUES AND OTHER</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	11,007,924	11,407,714	10,489,591	8,932,374
Property Taxes	1,648,947	1,385,953	1,635,542	1,531,770
Franchise Taxes	314,359	324,318	336,290	321,964
State Shared Revenues	5,389,551	8,444,731	8,848,199	8,456,552
Investment Earnings	673,351	1,094,994	780,935	258,478
Miscellaneous	200,921	85,418	183,963	76,300
Total Governmental Activities	<u>19,235,053</u>	<u>22,743,128</u>	<u>22,274,520</u>	<u>19,577,438</u>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	<u>\$ 8,845,295</u>	<u>\$ 3,840,504</u>	<u>\$ 1,974,304</u>	<u>\$ (765,493)</u>

Source: The source of this information is the Town's financial records.

Fiscal Year

	2010	2011	2012	2013	2014	2015
\$	3,720,236	\$ 2,876,848	\$ 3,119,113	\$ 2,909,443	\$ 2,432,965	\$ 2,479,365
	6,293,323	5,963,067	5,820,136	6,100,131	6,958,056	6,816,152
	5,202,285	5,567,973	4,718,047	5,712,817	6,630,875	4,963,979
	2,927,848	2,840,154	2,754,731	2,779,294	2,760,690	2,822,954
	1,612,287	1,572,202	1,442,613	1,633,361	1,237,717	2,074,611
	950,484	851,957	779,576	567,043	472,999	698,542
	<u>20,706,463</u>	<u>19,672,201</u>	<u>18,634,216</u>	<u>19,702,089</u>	<u>20,493,302</u>	<u>19,855,603</u>
	1,340,457	1,126,926	1,025,940	1,204,356	1,373,670	1,671,843
	32,667	21,222	20,323	14,227	16,971	18,965
	2,556	16,270	11,825	4,916	22,156	3,022
	-	-	-	-	-	-
	1,666,498	1,614,462	1,285,656	1,266,906	1,307,738	1,431,017
	<u>632,617</u>	<u>2,273,414</u>	<u>1,392,706</u>	<u>150,535</u>	<u>144,570</u>	<u>2,874,796</u>
	<u>3,674,795</u>	<u>5,052,294</u>	<u>3,736,450</u>	<u>2,640,940</u>	<u>2,865,105</u>	<u>5,999,643</u>
	(17,031,668)	(14,619,907)	(14,897,766)	(17,061,149)	(17,628,197)	(13,855,960)
	7,644,440	8,013,480	7,787,489	7,957,163	8,459,267	8,983,049
	1,928,028	1,349,079	1,453,405	1,385,147	1,449,646	904,660
	285,881	322,659	332,130	334,668	349,414	352,673
	6,000,923	5,217,140	4,515,511	4,979,183	5,326,332	5,713,235
	22,831	28,456	88,877	69,998	123,311	150,358
	129,740	68,125	178,393	300,899	166,115	188,251
	<u>16,011,843</u>	<u>14,998,939</u>	<u>14,355,805</u>	<u>15,027,058</u>	<u>15,874,085</u>	<u>16,292,226</u>
\$	<u>(1,019,825)</u>	<u>\$ 379,032</u>	<u>\$ (541,961)</u>	<u>\$ (2,034,091)</u>	<u>\$ (1,754,112)</u>	<u>\$ 2,436,266</u>

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 14,393	\$ 2,934,144	\$ 3,053,070	\$ 3,234,860	\$ 3,235,811
Unreserved, Designated for:					
Vehicle Replacement	-	-	-	127,916	333,796
Unreserved, Undesignated	6,515,855	3,666,005	3,526,738	3,302,373	3,418,799
Total General Fund	<u>\$ 6,530,248</u>	<u>\$ 6,600,149</u>	<u>\$ 6,579,808</u>	<u>\$ 6,665,149</u>	<u>\$ 6,988,406</u>
All Other Governmental Funds:					
Unreserved, Designated for					
Vehicle Replacement	\$ -	\$ -	\$ -	\$ 95,620	\$ 159,484
Unreserved, Undesignated Reported in:					
Special Revenue Funds	1,951,434	5,305,432	3,876,927	4,198,782	4,498,523
Capital Projects Funds	9,496,266	9,916,670	10,764,857	10,246,395	10,020,336
Debt Service Funds	159,530	1,386,674	1,585,740	1,218,971	1,182,834
Total All Other Governmental Funds	<u>\$ 11,607,230</u>	<u>\$ 16,608,776</u>	<u>\$ 16,227,524</u>	<u>\$ 15,759,768</u>	<u>\$ 15,861,177</u>

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable					
Inventory	\$ 13,183	\$ 9,332	\$ 10,201	\$ 14,358	\$ 6,975
Prepaid Items	29,234	28,245	32,493	18,348	10,655
Committed	-	1,345,200	1,345,200	1,345,200	2,634,923
Assigned	-	2,190,910	2,191,063	1,647,193	1,872,492
Unassigned	8,263,549	3,656,173	4,117,865	4,972,853	4,369,457
Total General Fund	<u>\$ 8,305,966</u>	<u>\$ 7,229,860</u>	<u>\$ 7,696,822</u>	<u>\$ 7,997,952</u>	<u>\$ 8,894,502</u>
All Other Governmental Funds:					
Nonspendable					
Cash with Escrow Agent	\$ -	\$ 2,623,895	\$ 2,301,609	\$ 1,973,067	\$ 1,645,000
Prepaid Items	6,217	5,474	4,706	997	656
Restricted	4,379,987	3,300,426	3,354,189	3,505,590	10,066,786
Committed	11,480,869	2,039,560	2,175,094	2,089,361	1,079,780
Assigned	-	9,312,168	9,005,276	7,147,586	5,444,124
Total All Other Governmental Funds	<u>\$ 15,867,073</u>	<u>\$ 17,281,523</u>	<u>\$ 16,840,874</u>	<u>\$ 14,716,601</u>	<u>\$ 18,236,346</u>

Source: The source of this information is the Town's financial records.

Note: During fiscal year 2011, the Town implemented GASB Statement No. 54. Therefore, starting in the fiscal year ended June 30, 2011, governmental fund balances will be presented based on the GASB Statement No. 54 hierarchy.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>REVENUES</b>					
Taxes	\$ 12,993,876	\$ 13,159,087	\$ 12,457,086	\$ 10,960,001	\$ 9,818,985
Intergovernmental	7,412,226	8,444,731	9,353,260	9,607,961	7,672,037
Fines and Forfeitures	235,050	304,214	287,120	339,658	297,030
Licenses and Permits	1,918,107	1,239,318	1,125,957	541,627	399,094
Charges for Services	1,689,046	898,955	620,300	316,676	464,036
Leases and Rents	255,527	267,350	296,434	290,083	215,520
Special Assessments	21,147	4,228	4,337	4,037	-
Investment Income (Loss)	673,351	1,094,994	780,935	258,478	22,831
Other	233,565	85,418	183,963	43,683	129,740
Total Revenues	<u>25,431,895</u>	<u>25,498,295</u>	<u>25,109,392</u>	<u>22,362,204</u>	<u>19,019,273</u>
<b>EXPENDITURES</b>					
General Government	4,459,183	4,024,551	3,548,295	3,514,249	3,186,368
Public Safety	5,208,770	5,689,020	6,321,669	6,624,141	6,200,227
Highways and Streets	2,121,986	2,028,397	2,214,557	1,199,850	973,746
Culture and Recreation	3,607,750	2,131,374	2,257,007	2,215,065	2,007,737
Development Services	1,812,469	2,462,643	2,751,740	2,036,295	1,669,449
Capital Outlay	-	2,002,887	5,239,169	3,708,277	1,254,223
Debt Service					
Principal Retirement	1,968,228	1,968,228	2,153,228	2,240,000	2,460,000
Interest on Long-Term Debt	1,192,414	1,058,665	1,025,320	929,134	842,857
Other Debt Service	532,762	-	-	-	-
Total Expenditures	<u>20,903,562</u>	<u>21,365,765</u>	<u>25,510,985</u>	<u>22,467,011</u>	<u>18,594,607</u>
Excess of Revenues Over (Under) Expenditures	4,528,333	4,132,530	(401,593)	(104,807)	424,666
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	10,146,663	4,383,069	2,756,988	3,759,735	1,127,776
Transfers Out	(10,146,663)	(4,383,069)	(2,756,988)	(3,950,654)	(1,127,776)
Issuance of Refunding Debt	4,555,000	-	-	-	-
Issuance of Long-Term Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment to Refunded Debt Escrow Agent	(4,338,781)	-	-	-	-
Total Other Financing Sources (Uses)	<u>216,219</u>	<u>-</u>	<u>-</u>	<u>(190,919)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 4,744,552</u>	<u>\$ 4,132,530</u>	<u>\$ (401,593)</u>	<u>\$ (295,726)</u>	<u>\$ 424,666</u>
Debt Service as a Percentage of Noncapital Expenditures	21.46%	18.53%	18.60%	20.33%	18.29%

Source: The source of this information is the Town's financial records.

Fiscal Year				
2011	2012	2013	2014	2015
\$ 9,704,054	\$ 9,577,321	\$ 9,713,445	\$ 10,271,737	\$ 10,240,382
7,165,103	6,035,448	6,323,047	6,677,518	9,770,048
236,221	223,673	187,251	170,995	186,456
312,367	194,976	570,904	891,782	1,043,382
388,635	405,663	162,086	161,376	176,541
227,195	206,018	213,871	252,584	269,753
-	-	-	-	-
28,456	88,877	69,998	123,311	150,358
72,125	178,393	300,899	134,114	188,251
<u>18,134,156</u>	<u>16,910,369</u>	<u>17,541,501</u>	<u>18,683,417</u>	<u>22,025,171</u>
2,575,975	2,887,321	2,699,109	2,194,845	2,275,124
5,772,800	5,869,445	6,022,269	6,890,770	6,675,874
1,123,230	1,054,930	2,058,990	3,085,559	1,275,779
1,871,446	1,794,332	1,791,018	1,921,939	1,962,585
1,564,615	1,421,787	1,643,757	1,774,983	2,073,990
1,043,304	884,323	453,002	1,750,465	8,799,068
2,115,000	1,965,000	2,280,000	2,415,000	1,850,000
744,330	639,135	554,860	460,811	454,957
-	55,752	12,183	12,188	243,585
<u>16,810,700</u>	<u>16,572,025</u>	<u>17,515,188</u>	<u>20,506,560</u>	<u>25,610,962</u>
1,323,456	338,344	26,313	(1,823,143)	(3,585,791)
431,880	2,470,027	1,279,397	1,838,453	2,519,774
(431,880)	(2,470,027)	(1,279,397)	(1,838,453)	(2,519,774)
-	-	-	-	4,180,000
-	-	-	-	7,565,000
-	-	-	-	342,086
-	-	-	-	(4,085,000)
-	-	-	-	8,002,086
<u>\$ 1,323,456</u>	<u>\$ 338,344</u>	<u>\$ 26,313</u>	<u>\$ (1,823,143)</u>	<u>\$ 4,416,295</u>
17.41%	17.09%	16.63%	16.63%	15.40%

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Total
2006	\$ 11,007,924	\$ 1,671,593	\$ 314,359	\$ 12,993,876
2007	11,407,714	1,427,055	324,318	13,159,087
2008	10,489,591	1,631,205	336,290	12,457,086
2009	8,932,374	1,705,663	321,964	10,960,001
2010	7,644,441	1,888,664	285,881	9,818,986
2011	8,013,481	1,367,915	322,659	9,704,055
2012	7,787,489	1,457,702	332,130	9,577,321
2013	7,957,162	1,421,614	334,668	9,713,444
2014	8,459,267	1,463,056	349,414	10,271,737
2015	8,983,049	904,660	352,673	10,240,382

Source: The source of this information is the Town's financial records.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Net Assessed Taxable Value	Total Direct Tax Rate*	Estimated Actual Taxable Value	Net Assessed Taxable Value as a Percentage of Estimated Actual Taxable Value
2006	\$ 375,183,181	\$ 0.3510	\$ 3,411,460,877	11.00 %
2007	397,380,162	0.3012	3,615,453,567	10.99
2008	610,738,122	0.2124	5,840,184,927	10.46
2009	684,742,347	0.1972	6,648,954,354	10.30
2010	651,218,464	0.2273	6,255,310,705	10.41
2011	576,535,714	0.1639	5,461,763,819	10.56
2012	451,860,136	0.2258	4,370,950,282	10.34
2013	377,521,718	0.2657	3,668,373,751	10.29
2014	366,302,672	0.2773	3,579,924,332	10.23
2015	402,965,927	0.1151	3,945,242,209	10.21

Source: The source of this information is the Arizona Department of Revenue's Abstract of the Assessment Roll and the Town's financial records.

\* Per \$100 of secondary assessed value.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2015 AND 2006  
(UNAUDITED)**

Taxpayer	2015			2006		
	Net Secondary Assessed Value	Rank	Percentage of Total Net Secondary Assessed Value	Net Secondary Assessed Value	Rank	Percentage of Total Net Secondary Assessed Value
Chaparral City Water Company	\$ 3,234,725	1	0.80 %	\$ 3,107,090	3	0.83 %
Hunter Retail LLC	2,623,248	2	0.65			
EN, LLC	2,038,673	3	0.51	3,705,309	1	0.99
WSL Fountain View Investors V, LLC	1,905,620	4	0.47	2,251,545	6	0.60
Whitestone Fountain Hills, LLC	1,682,833	5	0.42			
Target Corporation	1,641,857	6	0.41	1,725,801	8	0.46
Ridge View Apartments LP	1,629,560	7	0.40	1,070,000		0.29
Pacific FH Resort LLC	1,511,728	8	0.38			
Arizona State Land Department	1,417,280	9	0.35			
Smith's Food & Drug Centers Inc.	1,241,591	10	0.31	1,506,003		0.40
Inland Western Fountain Hills Four Peaks LLC				3,179,665	2	0.85
Qwest Corporation	1,170,753		0.29	2,743,364	4	0.73
Adero Canyon	803,824		0.20	2,626,800	5	0.70
JFM Limited Partnership I				2,066,000	7	0.55
Sun Tech Development, LLC				1,679,195	9	0.45
Four Peaks Limited Partnership				1,593,578	10	0.42
	<u>\$ 20,901,692</u>		<u>5.19 %</u>	<u>\$ 27,254,350</u>		<u>7.27 %</u>

Source: The source of this information is the Maricopa County Assessor's Office.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2006	\$ 1,673,519	\$ 1,618,877	96.7 %	\$ 34,011	\$ 1,652,888	98.8 %
2007	1,391,521	1,359,035	97.7	27,203	1,386,238	99.6
2008	1,630,534	1,578,583	96.8	47,833	1,626,416	99.7
2009	1,719,105	1,660,820	96.6	53,378	1,714,198	99.7
2010	1,895,552	1,838,909	97.0	52,188	1,891,097	99.8
2011	1,340,544	1,307,092	97.5	24,924	1,332,016	99.4
2012	1,446,076	1,414,482	97.8	20,255	1,434,737	99.2
2013	1,429,284	1,401,654	98.1	18,938	1,420,592	99.4
2014	1,449,884	1,426,612	98.4	18,948	1,445,560	99.7
2015	892,104	881,170	98.8	-	881,170	98.8

Source: The source of this information is the Maricopa County Treasurer's Office.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
TAXABLE SALES BY CATEGORY  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year				
	2006	2007	2008	2009	2010
Sales Category:					
Construction	\$ 3,106,859	\$ 2,694,700	\$ 2,062,028	\$ 1,414,240	\$ 538,551
Transportation and Utilities	1,240,123	1,330,052	1,422,158	1,311,735	1,424,827
Wholesale/Retail	3,796,192	4,144,263	3,912,512	3,687,409	3,555,974
Restaurants and Bars	547,276	537,596	582,226	493,242	509,624
Real estate, Rental and Leasing	881,584	792,358	982,198	664,999	650,071
Services	263,239	280,290	327,411	258,138	241,686
Other	1,172,651	1,628,455	1,201,058	1,102,611	723,708
Total	<u>\$ 11,007,924</u>	<u>\$ 11,407,714</u>	<u>\$ 10,489,591</u>	<u>\$ 8,932,374</u>	<u>\$ 7,644,441</u>

Source: The source of this information is the Town's financial records.

Note: Other includes all state and local sales tax audit adjustments.

Fiscal Year				
2011	2012	2013	2014	2015
\$ 567,136	\$ 600,402	\$ 563,540	\$ 781,742	\$ 888,311
1,388,074	1,407,331	1,402,193	1,375,620	1,383,464
3,567,615	3,600,619	3,601,212	3,653,447	3,889,874
559,930	575,705	645,258	655,656	695,041
731,615	678,267	719,884	782,453	816,890
276,566	274,481	309,827	342,924	340,002
922,545	647,684	715,248	867,425	969,467
<u>\$ 8,013,481</u>	<u>\$ 7,784,489</u>	<u>\$ 7,957,162</u>	<u>\$ 8,459,267</u>	<u>\$ 8,983,049</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
 DIRECT AND OVERLAPPING SALES TAX RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Town Rate</u>	<u>Maricopa County</u>	<u>State Rate</u>	<u>Total Tax Rate</u>
2006	2.60 %	0.70 %	5.60 %	8.90 %
2007	2.60	0.70	5.60	8.90
2008	2.60	0.70	5.60	8.90
2009	2.60	0.70	5.60	8.90
2010	2.60	0.70	6.60	9.90
2011	2.60	0.70	6.60	9.90
2012	2.60	0.70	6.60	9.90
2013	2.60	0.70	5.60	8.90
2014	2.60	0.70	5.60	8.90
2015	2.60	0.70	5.60	8.90

Source: The source of this information is the Arizona Department of Revenue.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Governmental Activities						Debt Per Capita	Percent of Debt Per Personal Income
	General Obligation Bonds	Community Facilities District Bonds	Municipal Property Corporation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Outstanding Debt		
2006	\$ 9,600,000	\$ 4,415,000	\$ 12,310,000	\$ 455,000	\$ 9,683	\$ 26,789,683	\$ 1,176	3.64%
2007	8,620,000	4,255,000	11,595,000	345,000	6,455	24,821,455	1,082	3.36%
2008	7,570,000	4,070,000	10,790,000	235,000	3,228	22,668,228	986	2.57%
2009	6,530,000	3,860,000	9,905,000	130,000	-	20,425,000	898	2.31%
2010	5,415,000	3,630,000	8,920,000	-	-	17,965,000	799	1.96%
2011	4,595,000	3,370,000	7,885,000	-	-	15,850,000	703	1.57%
2012	3,755,000	3,090,000	6,800,000	-	-	13,645,000	601	1.27%
2013	2,900,000	2,800,000	5,650,000	-	-	11,350,000	496	1.03%
2014	2,000,000	2,495,000	4,695,000	-	-	9,190,000	389	0.84%
2015	9,517,086	2,300,000	3,525,000	-	-	15,342,086	636	N/A

Source: The source of this information is the Town's financial records and the U.S. Bureau of Economic Analysis.

Note: All amounts presented are net of original issue discounts and premiums.

Population and personal income data can be found in the Schedule of Demographic and Economic Statistics. Personal income for fiscal year 2015 was not available.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Estimated Actual Taxable Value of Property</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Net General Obligation Bonded Debt per Capita</u>	<u>Municipal Property Corporation Bonds</u>	<u>Net Municipal Property Corporation Debt per Capita</u>	<u>Total Revenues - All Sources</u>
2006	\$ 9,600,000	\$ 3,411,460,877	0.30 %	\$ 421	\$ 12,310,000	\$ 540	\$ 25,431,895
2007	8,620,000	3,615,453,567	0.26	376	11,595,000	506	25,498,295
2008	7,570,000	5,840,184,927	0.14	329	10,790,000	469	25,109,392
2009	6,530,000	6,648,954,354	0.11	287	9,905,000	436	22,362,204
2010	5,415,000	6,255,310,705	0.10	241	8,920,000	397	19,019,273
2011	4,595,000	5,461,763,819	0.09	204	7,885,000	350	18,134,156
2012	3,755,000	4,370,950,282	0.09	165	6,800,000	300	16,910,369
2013	2,900,000	3,668,373,751	0.09	127	5,650,000	247	17,541,501
2014	2,000,000	3,579,924,332	0.06	85	4,425,000	187	18,683,417
2015	9,517,086	3,945,242,209	0.25	389	3,525,000	80	22,025,171

Source: The source of this information is the Department of Revenue and the Town's financial records.

Note: All amounts presented are net of original issue discounts and premiums.

Population data can be found in the Schedule of Demographic and Economic Statistics.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2015**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping:			
Maricopa County	\$ -	1.15%	\$ -
Maricopa County Community College District	593,820,000	1.15%	6,828,930
East Valley Institute of Technology	-	2.63%	-
Fountain Hills Unified School District	10,210,000	96.11%	9,812,831
Eagle Mountain Community Facilities District	2,300,000	100.00%	2,300,000
			<u>18,941,761</u>
Direct:			
Town of Fountain Hills, Arizona			<u>9,517,086</u>
Total Direct and Overlapping Debt			<u><u>\$ 28,458,847</u></u>

Source: The source of this information is the Town's records and the State and County Abstract of the Assessment Roll, the Arizona Department of Revenue Report of Indebtedness and the applicable governmental unit.

Note: The estimated percentage of debt outstanding applicable to the Town is calculated based on the Town's secondary assessed valuation (full cash value) as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town of Fountain Hills. This schedule further estimates the portion of outstanding debt of those overlapping governments that is borne by residents and businesses of the Town. This process recognizes that, when considering a town's ability to issue and repay long-term debt, the entire debt burden borne by residents should be taken into account. However, this fact does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	Fiscal Year			
	2006	2007	2008	2009
Debt Limit	\$ 22,510,991	\$ 23,842,810	\$ 36,644,287	\$ 41,084,541
Total Applicable to Limit	800,000	550,000	275,000	-
Legal Debt Margin	<u>\$ 21,710,991</u>	<u>\$ 23,292,810</u>	<u>\$ 36,369,287</u>	<u>\$ 41,084,541</u>
Total Debt Applicable to the Limit as a Percentage of the Debt Limit	4%	2%	1%	0%

**20% Debt Limit**

	Fiscal Year			
	2006	2007	2008	2009
Debt Limit	\$ 75,036,636	\$ 79,476,032	\$ 122,147,624	\$ 136,948,469
Total Applicable to Limit	8,800,000	8,070,000	7,295,000	6,530,000
Legal Debt Margin	<u>\$ 66,236,636</u>	<u>\$ 71,406,032</u>	<u>\$ 114,852,624</u>	<u>\$ 130,418,469</u>
Total Debt Applicable to the Limit as a Percentage of the Debt Limit	12%	10%	6%	5%

Source: The source of this information is the Town's financial records.

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 39,073,108	\$ 34,592,143	\$ 27,111,608	\$ 22,651,303	\$ 21,978,160	\$ 24,177,956
-	-	-	-	-	-
<u>\$ 39,073,108</u>	<u>\$ 34,592,143</u>	<u>\$ 27,111,608</u>	<u>\$ 22,651,303</u>	<u>\$ 21,978,160</u>	<u>\$ 24,177,956</u>
0%	0%	0%	0%	0%	0%

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 130,243,693	\$ 115,307,143	\$ 90,372,027	\$ 75,504,344	\$ 73,260,534	\$ 80,593,185
5,415,000	4,595,000	3,755,000	2,900,000	2,000,000	9,517,086
<u>\$ 124,828,693</u>	<u>\$ 110,712,143</u>	<u>\$ 86,617,027</u>	<u>\$ 72,604,344</u>	<u>\$ 71,260,534</u>	<u>\$ 71,076,099</u>
4%	4%	4%	4%	3%	11%

**TOWN OF FOUNTAIN HILLS, ARIZONA  
 CALCULATION OF LEGAL DEBT MARGIN  
 AS OF JUNE 30, 2015  
 (UNAUDITED)**

Net Secondary Assessed Valuation	\$ 402,965,927
Water, Sewer, Artificial Lighting, Parks, Open Space, Public Safety, Law Enforcement, Fire and Emergency Facilities, Street and Transportation Facilities, and Recreational Facility Improvements	
Debt Limit - 20% of Net Secondary Assessed Valuation	\$ 80,593,185
Net Debt Applicable to Limit	9,517,086
20% Legal Debt Margin	71,076,099
<b>All other general obligation bonds</b>	
Debt Limit - 6% of Net Secondary Assessed Valuation	24,177,956
Net Debt Applicable to Limit	-
6% Legal Debt Margin	24,177,956
Total legal debt margin	\$ 95,596,141

Source: The source of this information is the Maricopa County Assessor's Office and the Town's financial records.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Municipal Facilities Corporation Revenue Bonds					
Fiscal Year	Principal	Interest	Total	Pledged Revenues	Coverage
2006	\$ 665,000	\$ 546,576	\$ 1,211,576	\$ 18,162,814	15.0
2007	715,000	473,349	1,188,349	18,414,733	15.5
2008	805,000	498,878	1,303,878	18,364,312	14.1
2009	885,000	460,379	1,345,379	15,934,788	11.8
2010	985,000	417,028	1,402,028	14,011,595	10.0
2011	1,035,000	327,312	1,362,312	13,512,514	9.9
2012	1,085,000	285,288	1,370,288	13,011,297	9.5
2013	1,150,000	234,175	1,384,175	13,413,531	9.7
2014	1,210,000	234,176	1,444,176	14,292,136	9.9
2015	1,265,000	184,500	1,449,500	15,513,363	5.4

Source: The source of this information is the Town's financial records.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS  
 (UNAUDITED)**

	Calendar Year			
	2005	2006	2007	2008
Population	22,547	22,788	22,932	22,984
Per capita personal income	\$ 32,414	\$ 32,320	\$ 32,230	\$ 38,439
Median age	N/A	46.4	46.4	48.3
Public school enrollment	2,373	2,425	2,307	2,233
Town of Fountain Hills unemployment rate	2.0%	1.7%	1.5%	2.6%
Land use				
Total acres	N/A	12,996.0	13,005.7	13,005.7
Total square miles	N/A	20.31	20.32	20.32
Vacant lots	N/A	N/A	3,355	1,295
Number of units				
Housing	N/A	12,681	12,850	12,832
Lodging	N/A	4	4	4
Restaurants	N/A	50	53	47
Shopping centers	N/A	14	14	19
Schools				
Public	N/A	4	4	4
Preschool	N/A	5	4	4
Charter	N/A	2	1	1

Source: The source of the "Per Capita" information is the U.S. Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information is State of Arizona, Department of Administration, Office of Employment and Population Statistics. The source of School Enrollment is the Fountain Hills Unified School District No. 98. Other information is from the Town's records.

Note: N/A indicates that the information is not available.

\* Information obtained is based on calendar years; therefore, the latest information obtained was from 2014.

Calendar Year					
2009	2010	2011	2012	2013	2014*
22,736	22,489	22,554	22,695	22,893	23,602
\$ 38,918	\$ 40,672	\$ 44,660	\$ 47,260	\$ 48,244	\$ 46,619
48.9	53.9	53.9	53.9	53.0	53.7
2,203	2,103	1,981	1,886	1,820	1,692
4.5%	4.8%	6.7%	5.6%	6.0%	5.4%
13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7
20.32	20.32	20.32	20.32	20.32	20.32
1,253	1,226	1,218	1,209	1,196	1,165
12,927	12,983	12,990	12,977	12,991	12,981
4	4	4	4	4	4
52	53	56	56	54	43
19	20	20	20	20	20
4	4	4	3	3	3
4	4	4	6	7	7
1	1	1	1	1	1

**TOWN OF FOUNTAIN HILLS, ARIZONA  
PRINCIPAL EMPLOYERS  
JUNE 30, 2014, AND 2006\*  
(UNAUDITED)**

Employer	2014*			2006	
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank
Fountain Hills Unified School District No. 98	193	1	3.9%	285	1
Fountain View Village	140	2	2.8%		
Rural Metro Corporation	111	3	2.2%		
Firerock Country Club	100	4	2.0%		
Safeway Stores	86	5	1.7%	95	5
Target Stores	85	6	1.7%	130	3
Fry's Food Stores	80	7	1.6%	80	7
Bashas	74	8	1.5%	70	8
Eagle Mountain Golf Club	70	9	1.4%	70	10
United States Postal Service	60	10	1.2%		
Sunridge Canyon Golf Course	59		1.2%	70	9
Town of Fountain Hills	41		0.8%	87	6
MCO Properties, Inc.	12		0.2%	125	4
Monks Construction	-		-	190	2
Total	<u>1,111</u>		<u>22.4%</u>	<u>1,202</u>	
Total Town employment	<u>4,951</u>				

Source: The source of this information is the Maricopa Association of Governments.

Note Total Town employment for 2006 was not available.

\* Data for 2015 was not available.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**AUTHORIZED FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Municipal Court	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	3.63
Administration	12.50	13.00	13.50	13.50	13.25	11.25	11.58	11.68	10.56	11.33
Development Services	41.00	41.00	40.50	40.00	35.75	23.25	20.25	18.75	16.25	16.30
Community Services	23.50	28.00	29.25	29.75	27.10	21.63	21.53	21.18	20.18	21.06
<b>Total</b>	<b>82.50</b>	<b>87.00</b>	<b>88.25</b>	<b>88.25</b>	<b>81.10</b>	<b>61.13</b>	<b>58.36</b>	<b>56.61</b>	<b>50.99</b>	<b>52.32</b>

Source: The source of this information is the Town's financial records.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function/Program	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<b>Municipal Court:</b>						
Cases filed	N/A	N/A	N/A	N/A	3,520	2,584
Hearings/Trials held	N/A	N/A	N/A	N/A	1,089	738
<b>Administration:</b>						
FTEs per 1,000 residents	3.6	3.6	3.5	3.3	3.2	2.7
Registered voters - general election	13,669	none	14,335	none	15,511	none
Voter turnout - general election	21%	none	39%	none	50%	none
<b>Development Services:</b>						
Building permits issued	468	759	716	391	409	354
Building inspections conducted	9,377	7,975	5,692	3,189	1,936	1,546
Number of code violation cases	N/A	N/A	N/A	N/A	1,024	843
Number of zoning cases	N/A	N/A	N/A	N/A	7	14
<b>Community Services:</b>						
Number of Community Center bookings	N/A	N/A	N/A	N/A	3,396	3,315
Number of participants in recreational programs	N/A	N/A	N/A	N/A	1,960	1,759
Number of Senior Services members	N/A	N/A	N/A	N/A	1,105	1,205
Number of home delivered meals	N/A	N/A	N/A	N/A	10,169	9,742
<b>Law Enforcement (contracted):</b>						
Physical arrests	N/A	993	524	825	679	645
Traffic violations	N/A	2,315	2,504	4,900	2,959	1,909
<b>Fire &amp; Emergency Medical (contracted):</b>						
Total incident responses	3,056	3,069	2,694	2,787	2,875	3,179
Average response time (in minutes)	3:47	3:49	3:37	3:44	4:32	3:46

Source: The source of this information is the Town's financial records.

Note: N/A indicates that the information is not available.

\*Excludes hiking and teen trips which are no longer tracked.

Fiscal Year			
2012	2013	2014	2015
2,173	1,740	1,649	1,738
731	703	1,665	1,585
2.6	2.5	2.2	2.2
16,074	none	N/A	16,213
34%	none	N/A	38%
352	419	566	443
1,257	1,395	2,131	2,448
804	746	716	752
7	10	41	65
3,236	3,196	3,383	3,439
1,833	1,789	2,291	2,249 *
1,208	1,118	1,189	1,273
8,419	6,941	4,799	4,035
522	545	743	445
1,366	1,296	1,379	1,539
3,082	3,136	2,956	3,166
3:50	3:53	3:37	3:57

**TOWN OF FOUNTAIN HILLS, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function/Program	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<b>Public Safety:</b>						
Number of Fire stations	2	2	2	2	2	2
<b>Highways and Streets</b>						
Streets (Centerline Miles)	178.9	178.9	178.9	178.9	178.9	178.9
Streets (Lane Miles)	390	390	390	390	390	390
Pedestrian Lighting	34	34	34	34	34	34
Traffic Signals	12	12	13	13	13	13
<b>Parks and Recreation:</b>						
Acreage	116	116	116	116	116	116
Playgrounds	6	6	7	7	7	7
Baseball/Softball Diamonds	6	6	6	6	6	6
Soccer/Football Fields	1	1	7	7	7	7
Community Centers	1	1	1	1	1	1
Preserve Acreage	N/A	N/A	N/A	N/A	N/A	N/A
Miles of Trails	N/A	N/A	N/A	N/A	N/A	N/A

Source: The source of this information is the Town's facilities records.

Note: N/A indicates the information is not available.

Fiscal Year			
2012	2013	2014	2015
2	2	2	2
178.9	178.9	178.9	178.9
390	390	390	390
34	34	34	78
13	13	13	13
116	116	116	119
7	7	7	7
6	6	6	6
7	7	7	7
1	1	1	1
740	740	740	807.2
4.3	10.43	10.43	17.5



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